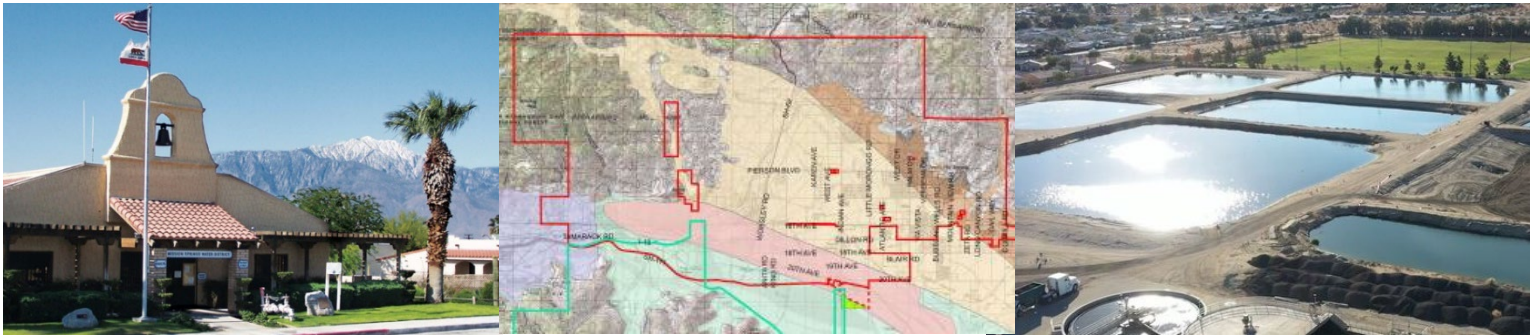




Mission Springs Water District *Proposal for Financial Advisory Services*

September 22, 2022



Urban Futures, Inc.

Public Finance | Public Management | Analytics & Compliance

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Arturo Ceja, MBA, Director of Finance
Mission Springs Water District
66575 Second Street
Desert Hot Springs, CA 9224

Re: Proposal for Municipal Financial Advisor Services

Dear Mr. Ceja:

Urban Futures, Inc. (UFI) is pleased to submit this proposal to the Mission Springs Water District (the District) for the purpose of providing objective, independent municipal financial advisory services to the District. As one of California's leading municipal advisory firms, we believe that we are well positioned to provide the District with a high level of service from an experienced team of California-based professionals.

Since 1972, our firm has strived to offer the highest level of service, technical skills, and local knowledge, exclusively to public agencies from our offices in Southern and Northern California. In the course of our history, UFI has provided municipal advisory and consulting services to hundreds of special districts, cities, counties, schools, community colleges, non-profits, and charter schools. We advocate on behalf of our clients and keep our clients informed regarding new public financing innovations, current interest rate trends, and relevant new State and Federal legislation that could affect financing decisions.

UFI has been doing business for the past 50 years under the same name and has been wholly owned by Michael Busch, Chief Executive Officer, for the last seven years. The firm is structured as a C-Corporation (Federal Tax ID: 95-2811192) and is headquartered in Orange, California .

The following is a summary of our expertise and experience providing municipal advisory services that exhibit our distinguishing ability to perform the District's Scope of Work:

- **Comprehensive Approach:** We draw on years of experience in various areas of specialty, creating a comprehensive level of coverage with strong analytical and modeling skills. While we respect legacy practices, we never take a "that's how it's always been done" approach, since we consider every transaction as an opportunity to improve on legal and financing structure and terms.
- **Experienced Personnel:** UFI's financial advisors and consultants include former city finance directors, city planners, public administrators, city attorneys, public finance investment bankers, and rating agency analysts, which allows us to offer the District a depth of qualifications and resources, including knowledge of equipment lease and real property lease transactions. Hiring our firm will provide the District with a "think tank" of public finance experts to assist the District with the services listed above.
- **Leading California Municipal Advisor:** UFI has been a leader in providing municipal advisory services since 1972 to over 300 public agencies throughout California. ***UFI is ranked as the top financial advisory firm in California over the last 5-year period as measured by the number of***

transactions completed. As one of the leading municipal advisors in the State, UFI is in the market virtually every week. Our unmatched experience in California is especially critical to the success of municipal transactions in today's volatile market.

- **Credit Expertise:** If the District chooses to issue bonds in the public market, the rating process will be critical, especially as talks of an economic recession mount. UFI has extensive experience in presenting municipal credits to rating agencies through best-in-class rating presentations that demonstrate thorough understanding of credit nuances.
- **UFI has a depth of experience presenting to Boards and participating in community engagement.** UFI has extensive experience presenting to public agency boards and constituents to communicate, from a third-party consultant perspective, the District's desired messaging. We are committed to making ourselves available to meet with the District and its constituents as often as needed.

Working with the District is very important to us. UFI is committed to dedicating as much of the firm's resources to the District's assignment as is necessary to complete it in a comprehensive and timely fashion.

Sincerely,



Michael Busch | Chief Executive Officer

Email: Michaelb@urbanfuturesinc.com | Website: urbanfuturesinc.com

Tel: (714) 283-9334 | Fax: (714) 283-5465

1100 W. Town and Country Road, Suite 1246 | Orange, CA 92868

1. Statement of Experience (5 pages max.)

This section should outline the Consultants experience and establish their ability to perform the required work to satisfaction by reasons of:

- Similar work
- Strength and stability of business/company
- Staffing capability
- Workload

UFI Overview

Since 1972, Urban Futures, Inc. (UFI), has provided municipal advisory services to hundreds of California cities, counties, special districts, schools, community colleges, and non-profits. UFI is staffed with 18 professionals in two California office locations: Orange (10) and Walnut Creek (8) with **100% focus on providing municipal advisory and consulting services to California municipalities**. We believe we are uniquely qualified to fulfill numerous aspects of the District's Scope of Work. UFI combines the state's top-ranked municipal advisory practice with a financial consulting practice that has over 100 years of public finance and executive-level government experience. Clients engage our firm to provide a range of services, including municipal advisory assignments for issuance of all debt types, post-issuance compliance, capital funding analysis and preparation of finance plans, financial forecasting, pension funding analysis, tax and revenue analysis, and development of fiscal strategies.



UFI provides services through three divisions:

Public Finance Group ("PFG") provides municipal advisory services, debt analysis, financing plans, and access to capital markets for various transaction types, including General Obligation, Lease Revenue, Utility, Tax Increment, Utility, CFD and Pension Obligation Bonds, as well as Private Placements, Public Private Partnerships (P3), and Enhanced Infrastructure Financing Districts (EIFDs). We help staff evaluate and implement various financing options for priority projects (including bonds, revolving lines of credit, and State and Federal loan programs) and refinancing opportunities. All of the professionals in PFG have passed the MSRB Series 50 Municipal Advisor Representative examination.

Public Management Group¹ ("PMG") provides in-depth and insightful analysis of our client's financial history and current position, revenue and expense structures, long-term liabilities and risks, and fiscal outlook through the use of custom financial models, long-term forecasts, and fiscal assessment tools that integrate a wide-variety of econometric, financial and demographic data with key metrics, benchmarks and best practices. More importantly, the diversity and experience of our PMG team enables UFI to transform the financial data and analysis into actionable management information, reports and plans that provide specific recommendations and strategies supported by the analytics that help our clients achieve their goals and objectives.

¹ Non-MA Services

Analytics and Compliance Group¹ provides services related to post-issuance compliance, including continuing disclosure, arbitrage rebate, and CDIAC reporting compliance.

UFI is a Leading California Municipal Advisor

As stated previously, *UFI is ranked as the top financial advisory firm in California over the last 5-year period*, having assisted clients in the completion of 740 bond transactions in that time, as shown in the table to the right. The frequency with which our firm is in the market provides our advisors with unparalleled experience in assessing financing structures and determining the lowest cost of borrowing.

Top Municipal Advisors for California Municipal Bonds
 2017 - 2021

Rank	Firm	No. of Issues	Par (\$MM)
1	Urban Futures Inc	740	\$16,698.3
2	Fieldman Rolapp & Associates	500	18,789.8
3	KNN Public Finance	393	43,409.1
4	PFM Financial Advisors LLC	368	36,308.1
5	Public Resources Advisory Group	225	69,430.0

Source: SDC Platinum (Thomson Reuters)

Providing our clients with responsive and high-quality analytical services is central to our corporate mission. UFI is staffed with financial advisors that have extensive financial modeling experience, and we have built proprietary financial models that are tailored to our client’s needs. The firm is staffed with 18 registered municipal advisors making UFI one of the largest, if not the largest, municipal advisory firm in the State of California. Each of our municipal advisory engagements is staffed with a minimum of two senior advisers as well as support staff. As a result, our clients will always be served by a senior staff member with knowledge of the client. With offices in Southern California, we are able to attend meetings in-person meetings with the District as often as is necessary to complete assignments.

Firm’s Financial Position and Reputation

UFI has no defaults, lines of credit, or past due payments and operates with a 6-month cash flow reserve. The firm has a reputation for providing advice with the highest of integrity that is grounded in substantiated data and has the public’s interest in mind. We are also known for delivering services on time, within budget, and exceeding the expectations of our clients. Our no-nonsense advice keeps our clients safe and out of newspaper headlines.

Water and Wastewater Experience

UFI has experience providing California water districts and cities who provide utility services with both municipal advisory, financing and financial consulting services. Our Public Finance Group has served as a municipal advisor on 44 water and wastewater transactions for nearly \$600 million in par since January 1, 2017. Our work has encompassed a variety of issuance sizes, structures, and methods of sale. UFI draws on a wealth of resources and years of experience to take a fresh analytical approach with each and every assignment. Additionally, our firm’s CEO, Michael Busch, is a founding member and Chair of the California Utility Executive Management Association (CUEMA), an organization of water industry professionals, through which he stays abreast of emerging challenges and opportunities in the water industry. We believe our past experience, with large and small issuers throughout the State on various financing types prepares us well for any of District’s upcoming assignments. A list of our transaction experience in this space is provided below.

Summary of UFI's Water & Wastewater Bond Financing Experience since 2017			
Sale Date	Issuer	Description	Principal
6/23/2022	Goleta Sanitary District	Wastewater	14,135,000
6/15/2022	Calaveras County Water District	Wastewater	11,100,000
6/16/2022	Diablo Water District	Water	10,806,000
6/1/2022	Calaveras County Water District	Water	19,843,000
5/5/2022	Coachella (Series 2022B - Forward Delivery)	Water	6,225,000
3/24/2022	Sanger	Wastewater	13,655,000
3/1/2022	Upland	Water	15,750,000
2/23/2022	Coachella (Series 2022A)	Water	4,895,000
1/31/2022	San Juan Water District	Water	8,152,537
10/1/2021	Upland	Water	6,553,000
9/1/2021	Rowland Water District	Water	36,170,000
9/1/2021	Walnut Valley Water District	Water	15,380,000
7/29/2021	Hercules	Wastewater	8,450,000
7/22/2021	Scotts Valley Water District	Water	6,150,000
6/3/2021	Soledad	Water	1,053,920
5/12/2021	King City	Wastewater System	4,012,670
5/11/2021	Oceanside	Water	8,950,000
12/3/2020	Ceres	Water Supply	20,280,000
12/1/2020	Covina	Water	18,883,578
9/22/2020	Tamalpais Community Services District	Wastewater	16,430,000
9/1/2020	Millview County Water District	Water System Improvements	3,000,000
3/12/2020	Ceres	Wastewater	6,355,000
3/12/2020	Ceres	Water	3,658,000
2/24/2020	Ukiah Valley Sanitation District	Wastewater	25,005,000
12/12/2019	Imperial Public Financing Authority	Water Facility	8,115,000
11/21/2019	Diablo Water District	Water Financing	8,380,000
11/1/2019	Dinuba	Wastewater	2,360,000
11/1/2019	Yuima Municipal Water District	Water Financing	5,000,000
10/24/2019	Banning Utility Authority	Tertiary Treatment Plant	4,020,000
10/1/2019	Culver City	Wastewater New Money/Refunding	19,360,000
7/30/2019	Covina	Wastewater Refunding	9,930,000
4/17/2019	Imperial Public Financing Authority	Wastewater Treatment Facility	15,620,000
9/11/2018	Beaumont Public Improvement Authority	Wastewater	81,105,000
8/29/2018	King City	Wastewater	4,041,590
5/22/2018	Calistoga	Wastewater Revenue COPs	8,920,000
1/24/2018	Pomona	Sewer Series BH	13,390,000
1/18/2018	Santa Fe Springs	Water Revenue	1,800,000
6/1/2017	San Juan Water District	Water Refunding	26,125,000
4/20/2017	Pomona	Water Facilities Series BF	55,555,000
4/20/2017	Pomona	Water Facilities Series BF	32,355,000
3/8/2017	Garden Grove	Sanitation District	15,970,000
Total			596,939,295

Source: CDIAC

2. References

Provide five (5) references from water/wastewater projects including name of business, address, contact name and telephone number and a description of work performed. Only include projects completed in the last 36 months in Southern California.

We encourage you to contact any of our recent clients listed below to discuss their experience and satisfaction with UFI. Per instructions in the RFP, we have included Southern California clients for which we have completed water/wastewater projects in the past 36 months. We have also provided additional references which we feel believe can best speak to the quality and effectiveness of our work for the types of services, analysis and work product identified in the District’s RFP.

City of Coachella
Nathan Statham, Finance Director
Tel: (760) 398-3502 ext. 125; Email: nstatham@coachella.org
53990 Enterprise Way Coachella, CA 92236
Past Projects: Series 2022 Water Revenue Bonds, Series 2020 Pension Obligation Bonds, Series 2019 Gas Tax Revenue Bonds, CFD 2018-1 Bonds, 2016 Lease Revenue Bonds, 2013 TABs, 2014 TABs, and 2016 TABs



City of Coachella

Relevance: Local Expertise in Facilities and Utility Financings

Key Personnel: Michael Busch and Wing-See Fox

UFI has served as municipal advisor to the City of Coachella since 2004 on over \$90 million of bond financings for a variety of issues including tax allocation bonds, CFDs, lease revenue bonds, and utility revenue bonds.

In 2016, UFI served as MA on the City’s issuance of \$12.15 million lease revenue bonds to finance construction of a new library. In June 2014, Council directed staff to place a sales tax measure on the November 2014 election ballot. This ballot was identified as Measure U, which was approved by the voters in the November 4, 2014 election. Measure U was identified as a funding source for general services and construction of a new larger library. As a result of the Library Feasibility Study and funding available through Measure U, the proposed library was identified as a 15,000 square-foot LEED-certified facility. Public input was received regarding: types of library services and architectural concepts between September 2014 – December 2014 at various public events and public meetings held in the community.

The 2016 Bonds were structured as a lease-leaseback financing between the City and the Coachella Public Financing Authority with a 30-year term and level annual debt service payments. The bonds achieved an “A+” rating and were sold with a bond insurance policy that resulted in a competitive borrowing cost of 2.85%.

Also in February 2022, UFI served as the Financial Advisor for the City of Coachella’s issuance of \$11.2 water revenue bonds. Proceeds of the bond issuances were used to finance capital projects, current refund the City’s outstanding 2008 Water Revenue Bonds and refund on a forward-basis the City’s 2012 Water Revenue Bonds.

City of Culver City
Onyx Jones, Chief Financial Officer
Tel: (310) 253-6016; Email: Onyx.Jones@culvercity.org
9770 Culver Blvd., Culver City, CA 90232
Past Projects: Wastewater Revenue Bonds, Pension analysis



City of Culver City Wastewater Facilities Revenue Bonds—

Relevance: Impactful Credit Analysis

Key Personnel: Michael Busch, Wing-See Fox and Branden Kfoury

UFI advised the City of Culver City on the sale of its 2019 A Wastewater Facilities Revenue Bonds, which were issued to refund existing bonds and finance \$12 million of capital improvements. UFI was selected as municipal advisor by the City in June 2019 via a competitive bid process. Once selected as municipal advisor, we assisted the City in issuing RFPs for bond/disclosure counsel and making selections of those firms.

UFI worked diligently with the City to identify capital projects to be debt financed. At the time of the sale, the City maintained a large amount of excess cash reserves. UFI advised the City on appropriate reserve levels and advised on the amount and timing of using surplus cash for its capital spending program and to address the pension liability allocated to its wastewater enterprise. UFI was instrumental in the credit analysis and structuring issues. Given the large variances in payments the City makes to the City of Los Angeles for wastewater treatment, UFI helped to structure the 2019 Bonds to maintain target coverage in line with S&P's fixed-charge coverage methodology. The efforts resulted in the rating being affirmed at AA- and a successful sale.

Diablo Water District
Dan Muelrath, General Manager
Tel: (925) 625-6159; Email: dmuelrath@diablowater.org
87 Carol Lane, Oakley, CA 94561
Past Projects: 2022 COPs and 2019 COPs



Diablo Water District

Relevance: Innovative Financing Techniques

Key Personnel: Wing-See Fox and Branden Kfoury

UFI has served as the financial advisor to the District since 2019, assisting the District with two complex financings. In 2019, UFI served as municipal advisor on Diablo Water District's 2019 Water Revenue Certificates of Participation. The COPs represented the District's first sale of public debt since 2013. Proceeds were used to refinance outstanding COPs, restructure a bullet maturity on a privately placed loan, as well as fund a new corporation yard.

In 2018, S&P downgraded the District's COPs rating to A from A+, citing a decline in all-in debt service coverage and reliance on one-time growth fees. UFI worked diligently to conduct an analysis of the District's finances and develop an appropriate structure for the 2019 COPs. We led the rating agency process and prepared a presentation to S&P that emphasized the District's improved debt service

coverage, strong service area economy, strong liquidity and reserves, strong management and financial planning, including the District’s 10-year financial forecast model. Ultimately, we were able to secure an “A” rating from S&P, which affirmed the District’s current rating. S&P indicated that the District could be in line for an upgrade if debt service coverage is maintained at its current levels over the near term.

We advised on the structuring of the 2019 COPs to refinance a bullet maturity on a privately placed loan to amortize it over ten years. UFI worked with bond counsel to review the legal documents to restructure the loan and move it from a subordinate lien to a senior lien. We attended Board meetings to answer questions from Board Members, drafted staff reports, and helped the District draft a Debt Management Policy and Disclosure Policy. As a result of the sale, the District was able to achieve 16% savings on the refunding of its 2010 COP and lock in a true interest cost of 2.82% for a 30-year term.

In 2022, UFI was again engaged as the District’s municipal advisor on a Loan and Installment Sale Agreement to refinance its 2013 Water Revenue Certificates of Participation and to fund capital projects, including the completion of its state-of-the-art corporation yard and solar equipment. Recognizing that the District had materially strengthened its financial position since its prior bond issuance with the adoption of new financial and sustainability policies, completion of a rate study for immediate implementation of rate increases that minimizes dependency on connection fees and created extra tiers of customers, and continued economic growth in the region, UFI led the development of a rating presentation to S&P that ultimately led to a two-notch upgrade from “A” to “AA-“. We also provided feedback to the District on issuing bonds with the Green Bond label, and the District decided to move forward with a self-designated Green Bond label.

In March 2022, after a successful Prop 218 process to increase rates, and the day before mailing the Preliminary Official Statement, it was discovered that the rate consultant made an error in its rate model when structuring the rates across various customer classes. Instead of the recommended rate increases totaling a 17% rate revenue increase in the next fiscal year, the recently implemented rate structure only generated a 7% rate revenue increase in the first year, with the revenue shortage compounding over the 5-year rate increase period. The financing team immediately halted the financing, and UFI worked with the District and rate consultant to rectify the issue and update the rate model. The District undertook an additional Prop 218 process to bring the rate structure in line with the originally intended 17% rate revenue increase. The District did not want to issue the new bonds before the adoption of the new rates. During that timeframe, the municipal bond market experienced a significant run-up in rates, and bond transactions struggled to gain investor interest. UFI worked with the underwriter to monitor both the public offering and private placement municipal bond markets, with a limited universe of private placement lenders given the 25-year borrowing term on the new money piece. Ultimately, the financing team was able to pivot and secure a private placement loan with Capital One Funding, LLC, to lock in attractive rates and eliminate interest rate risk for the District. Given the improved market tone prior to closing the loan, the financing team was able to successfully negotiate a 10-basis point decrease in rate for the refunding piece, despite having locked the rate with the bank.

Ukiah Valley Sanitation District
David Redding, General Manager
Tel: David Redding, General Manager; E-mail: dredding@willowc wd.org
151 Laws Avenue, Ukiah, CA 95482
Past Projects: Municipal Advisor for Wastewater Revenue Refunding Bonds, Series 2020; On-Call Municipal Advisory Services



Ukiah Valley Sanitation District

Relevance: Interim General Manager Services

Key Personnel: Wing-See Fox

Since 2018, UFI has served as the municipal advisor to Ukiah Valley Sanitation District (UVSD). We led the District’s efforts in closing a complex refinancing that took two years to come to market. UVSD provides sewer services for the unincorporated areas suburban to the City of Ukiah (City). The City provides certain administrative functions for the District as well as operations and maintenance for the combined Sewer System. In 2006, bonds were issued under the City’s credit, and the City and UVSD entered into a Financing Agreement that apportioned an allocable share of the debt to UVSD. In 2018, the two parties entered into a Settlement Agreement to settle certain claims. After the settlement, the two agencies had the desire to refund the 2006 bonds (that were only callable on an interest payment date) under the same structure (City wrapped credit) for significant savings to ratepayers, but they were unable to agree on key terms. In November 2019, after over a year of failed negotiations, UFI initiated the process for UVSD to independently refinance its share of debt service. This option presented a unique challenge since the District had not issued its own financial statements prior to that year, nor had it ever accessed its own borrowing. Additionally, the District needed the City’s cooperation to achieve its independent refinancing. UFI played a key role in negotiating terms with the City and successfully represented UVSD’s interests meanwhile working cooperatively with the City to keep both parties’ priorities intact. UFI also put the District’s credit package together for solicitation of bank bids. The District’s refunding bonds were ultimately privately placed with a bank at a rate of 2.42%, achieving \$4.3 million in net present value savings, or 16% of refunded par, for its ratepayers.

Ms. Fox continues to serve the District under a consulting contract to provide Interim General Manager services. In this role, she is leading the District in partnering with Mendocino LAFCO and working through a historically adversarial relationship with the City in order to eliminate duplicative services, minimize overlapping Spheres of Influence, and eventually merge with the City to provide valley-wide wastewater services to the benefit of ratepayers.

Rowland Water District
Myra Malner, Director of Finance
Tel: (562) 697-1726; email: mmalner@rowlandwater.com
3021 Fullerton Road, Rowland Heights, CA 91748
Past Projects: 2021 Water Revenue Refunding Bonds



Rowland Water District

Relevance: Leveraged Refunding to prepay CalPERS UAL

Key Personnel: Michael Busch and Branden Kfoury

In 2021, UFI served as the Financial Advisor to Rowland Water District (the District) on a taxable advance refunding of its prior bonds. The District had two bond issues outstanding: \$16.46 million in 2012 Water Revenue Bonds and \$16.395 million in 2014 Water Revenues Bonds. The outstanding bonds had coupons ranging from 3.0% to 5.0%, which were callable in 2022 and 2024. Due to the changes in the tax-law the bonds could not be tax-exempt advance refunded. The bonds could be advance refunded with “taxable” bonds, however, which presented considerable savings under the historically low interest rate environment.

Rowland Water District had also been working with UFI to address its CalPERS pension liability. The District had a \$5.9 million unfunded accrued liability (UAL) as of June 30, 2020, with payments scheduled to increase from \$473,000 in FY21-22 and increasing each year until a peak in FY30-31 at \$671,000. The scheduled annual increase in UAL payments over the next 14 years totals \$1.9 million, which would have a significant impact on their future rate structure.

UFI suggested the implementation of a “Leveraged Refunding” to utilize the savings from the bond refunding to “prepay” a portion of the District’s UAL. A Leveraged Refunding structures a traditional bond refinancing with “up-front” savings (as opposed to savings in each year). The savings are then used to make an Additional Discretionary Payment (ADP) to CalPERS to pay off all or a portion of an agency’s UAL. UFI was engaged by the District to address both issues, serving as its municipal and pension advisor on the financing.

UFI worked with the financing team expeditiously to lock in the historically low interest rates. Our team quarterbacked the RFP process to select an underwriter and bond/disclosure counsel firms that resulted in competitive fees for each transaction. The refunding bonds were sold in August 2021 and were met with strong investor demand despite volatile market conditions. The bonds were sold with a 2.32% true interest cost (TIC), resulting in \$4.0 million in debt service savings over the first three years (\$3.9 million in NPV savings, or 11.95% of refunded par).

UFI developed a customized pension model for the District’s 22 amortization bases to generate a multi-year base selection strategy to maximize the impact of each annual payment. Moreover, the District also committed to making \$35,000 in monthly Additional Discretionary Payments (ADPs) to further reduce the UAL over the next 3 years. After applying the \$4.0 million in savings from the refunding combined with \$1.26 million in ADPs, the District is projected to generate \$8.45 million in UAL savings (leveraging its resources by 160%) and reduce its UAL down to \$687,000. Moreover, CalPERS’ 21.3% return in FY21 and the lowering of the discount rate to 6.80% will generate a net credit to the UAL, which is expected to fully fund the District’s pension liability.

ADDITIONAL REFERENCES

City of Desert Hot Springs
Geoffrey Buchheim, Finance Director
Tel: (760) 329-6411; Email: gbuchheim@cityofdhs.org
65950 Pierson Blvd., Desert Hot Springs, CA 92240
Past Projects: Over \$118 million total par amount of TABs, CFDs, COPs, LRBs; Forecast Modeling, Pension Study



City of Desert Hot Springs

Relevance: Local Expertise in Facilities Financings

Key Personnel: Michael Busch and Branden Kfoury

In January 2022, UFI served as the Financial Advisor for the Desert Hot Springs Public Financing Authority’s issuance of \$14.8 million Lease Revenue Bonds, Series 2022A, and \$1.13 million Taxable Lease Revenue Bonds, Series 2022A-T. Proceeds of the bond issuances were used to finance the expansion of a new City Hall, the Police Station, make a cash deposit into the debt service reserve fund, and pay the costs of issuance.

The City had been utilizing trailers for City Hall for over 10 years. Due to cost concerns of building a new City Hall, the City pursued financing the cost of converting its Visitor Center into a permanent City Hall which would save them up to \$20 million.

UFI crafted a rating presentation in coordination with the underwriter that emphasized the City's strong management team and Recovery Plan that had led to General Fund surpluses. S&P assigned an "A+" rating, which is a one notch upgrade from bonds issued just a few years prior. As a result, the City was able to achieve its goal of generating funds to begin the full construction on a much-needed new City Hall and expansion of its existing Police Station for its staff.

City of Pomona
Andrew Mowbray, Finance Director/City Treasurer
Tel: (909) 620-2353; E-mail: Andrew_mowbray@ci.pomona.ca.us
505 South Garey Avenue, Pomona, California 91766
Past Projects: Municipal Advisory Services for Tax Allocation Bonds, Capital Lease, Pension Obligation Bonds; Pension Analysis Services; Continuing Disclosure Services



City of Pomona

Relevance: Financial Forecast Modeling, Strategic Financial Advising, Fiscal Policies and Procedures, Pension Obligation Bond Financing

Precipitated by a quickly growing pension liability and the need for fiscal restructuring of interfund transfers and reimbursements, UFI was engaged by the City of Pomona in 2017 to prepare a ten-year financial forecast for its general fund and review the structure of its reimbursements between the city's enterprise funds and general fund. The engagement involved a two-step process of an initial baseline ten-year forecast, including the city's pension liabilities and future costs. Based on the financial forecast, UFI provided the city with a comprehensive fiscal health analysis, recommendations for immediately addressing the city's growing insolvency and pension costs, and long-term recommendations for cost-containment and financial sustainability. Since 2017, the City has continued to engage UFI to periodically update its financial forecast model, present an annual fiscal outlook to the city council, and discuss various fiscal strategies to improve the City's long-term financial sustainability.

In 2019, UFI was engaged by the City as municipal advisor to assist the City with evaluating options for addressing its pension liability. UFI worked with Finance Department staff to conduct analyses on various pension obligation funding options, pension obligation bond scenarios, and risk analysis, ultimately culminating in the development of a comprehensive pension management plan. In 2020, the City decided to issue POBs to fund 100% of its unfunded actuarial liability (UAL). UFI assembled the financing team that completed the POB validation process, rating agency review and sale of the \$211 million POBs.

In 2022, the City engaged by the City to prepare a comprehensive set of updated fiscal policies and procedures. This work involved (1) reviewing the City's various fiscal and financial policies and documents, (2) consolidating and redrafting language to reflect City's current financial objectives and goals, and (3) amending and adding language to reflect best practices, institutional controls and financial concepts from the Government Finance Officers Association (GFOA), International City/County Management Association (ICMA), Rating Agencies & Bond Insurers and other industry-leading trade groups and research. The resulting comprehensive document covered the following areas of municipal finances: fiscal operations,

budget adoption and administration, reserves and fund balances, fiscal sustainability, pension and OPEB management, capital improvements, debt management and investments.

City of Pismo Beach
Nadia Feeser, Administrative Services Director
Tel: (805) 773-7010; email: nfeeser@PismoBeach.org
760 Mattie Road, Pismo Beach CA 93449
Past Projects: Lease Revenue Bonds, Clean Renewable Energy Bonds



Pismo Beach Public Financing Agency, 2017B Federally Taxable New Clean Renewable Energy Bonds (CREBs)

Relevance: Energy Savings Project with Lease Payment as Security; Liaison to Private Placement Banks; Due Diligence, Structuring, and Credit Analysis in the City's Best Interest

Wing-See Fox and the UFI team was engaged in 2017 to assist the City with applying for and issuing CREBs to fund solar projects and improve energy efficiency at its wastewater treatment plant and police station (with a portion to be repaid by the Wastewater Fund and a portion to be repaid by the General Fund). We assisted the City with submitting the CREB application to the IRS, put the financing team together, and successfully placed the loan with a bank just before CREBs were eliminated at the end of that calendar year. We were also able to negotiate a unique call provision in which the City is able to call the bonds should there be any significant change in the subsidy provided by the IRS.

As part of the transaction, we brought in a consultant that was able to evaluate the savings analysis given by the solar company. Often, these companies inflate their savings analysis by using a very aggressive inflator for electricity prices. They also charge high fees for maintenance of solar panels. The consultant provided a more conservative energy savings analysis that educated the Council and staff on the fact that the energy efficiency projects were, in effect, subsidizing the solar project.

3. Proposed Staffing and Project Organization (5 pages max.)

This section should provide qualifications, identify the project team, and provide an organization chart with each key staff responsibilities and reporting relationships defined for the proposed team. Provide a one (1) page resume with general education, experience, and professional credentials for key staff and proposed project team members. Specifics should include type and amount of experience, list of projects in which they were involved, and their capacity with these projects. (Note: Resumes can be included in an appendix.)

UFI’s financial advisory team will consist of our CEO and two senior level Public Finance Group municipal advisor staff. **Michael Busch**, CEO, will provide strategic direction and will have overall responsibility for client service delivery; **Wing-See Fox**, Managing Director will serve as the day-to-day contact for the District’s assignments and **Branden Kfoury**, Director, will serve as a co-engagement lead. Our team draws on years of experience in various areas of specialty, including credit analysis, lease financings, and specifically equipment lease financings. We believe we are well-suited to provide value-added services to the District as it looks to implement a new rate study/forecast and contemplate future financings.



We have additional support staff and professionals with areas of expertise in continuing disclosure and financial forecasting who can serve as valuable resources as necessary. In several cases, we are employed by clients to complete multiple services, including municipal advisory, fiscal sustainability, and continuing disclosure. We believe having the resources of multiple divisions gives us an advantage. Even on transactions where we are hired only as municipal advisor, we are still able to offer unique independent analysis and resources to analyze the client’s finances and ensure long-term fiscal sustainability. If engaged by the District, we are happy to discuss how we can best offer additional services from our management group to best meet the District’s needs.

All UFI municipal advisors, including support staff, hold a Series 50 municipal advisor registration. We have provided below a summary of the team members assigned and their relevant experience and credentials. Professional resumes are included in [Appendix A].

UFI Team	
<p>Michael Busch, Chief Executive Officer Role: Strategy and Client Service Delivery Oversight Office: Orange, CA Experience: Michael is an accomplished municipal executive and public finance professional who has helped manage several public agencies as an assistant city manager and finance director. Through his leadership of UFI and engagement with professional organizations, Michael helps cities, counties, special districts, and nonprofits across the State of California identify emerging trends, engage in critical policy issues, exchange proven practices, and advance their missions through sound fiscal and operational policy. During his 14-year tenure with UFI, numerous public agencies have engaged Michael as both a strategic consultant and municipal advisor based on his public finance expertise and broad understanding of fiscal issues affecting the public sector. Michael has worked on over \$5 billion in tax-exempt and taxable debt, including lease revenue bonds/COPs, water/wastewater revenue bonds,</p>	

TABs, CFD and assessment district bonds, and New Market Tax Credits. He has executed lease transactions for the Cities of Lake Elsinore, Desert Hot Springs, Coachella, Orange, and is currently assisting the Cities of Menifee and San Jacinto on the evaluation of lease revenue bonds to finance public facilities. Mr. Busch holds a Bachelor of Arts degree in Urban and Regional Planning from California State Polytechnic University, Pomona, and a Master of Public Administration degree (Finance and Public Works emphasis) from California State University, Long Beach.

Wing-See Fox, Managing Director

Role: Day-to-Day Contact | Office: Walnut Creek, CA

Experience: Wing-See Fox is the Series 54 Municipal Advisor Principal of UFI and leads the Public Finance Group. Wing-See has over a decade of experience in the fields of municipal advising, public finance, and municipal securities. She has worked on over \$3 billion in municipal debt offerings for cities and special districts in California including lease revenue bonds and certificates of participation. She has recently executed lease transactions for the Cities of Claremont, South San Francisco, Orange, Atherton, the Town of Apple Valley and Cosumnes Community Services District. Wing-See excels in gaining a thorough understanding of credits, validating assumptions in financial projections, and structuring bond transactions to meet the needs of the issuer while maximizing credit strength and marketability to investors. She has extensive experience developing credit presentations geared towards the criteria of rating agencies in order to achieve the highest possible ratings. Prior to becoming a municipal advisor, Wing-See was a public finance investment banker, having worked at Raymond James Public Finance in San Francisco and UBS Investment Bank in New York. Wing-See received a Master of Business Administration degree from Columbia Business School, a Master of Social Work degree from Columbia University School of Social Work, and a Bachelor of Arts degree in Psychology from Stanford University.



Branden Kfoury, Director

Role: Co-Engagement Lead | Office: Orange, CA

Experience: Branden Kfoury joined Urban Futures in 2019. He has worked on a variety of debt offerings for cities and special districts in California including, but not limited to utility revenue bonds, general obligation bonds, lease revenue bonds, CFD and assessment district bonds, as well as tax allocation bonds. Mr. Kfoury has extensive experience in all aspects of the bond financing process and excels at providing value-added debt structuring, credit and quantitative analysis. He has recently executed lease transactions for the Cities of Fullerton, Lake Elsinore, and Orange as well as Cosumnes Community Services District. Previously, Mr. Kfoury worked as a Senior Associate at Fieldman, Rolapp & Associates where he supported the firm's city and special district clients. Mr. Kfoury has held prior roles in public finance investment banking, bond insurance, as well as in the technology industry. He graduated Cum Laude from New York University with a Bachelor of Science degree in Finance and a minor in Politics.



Relevant Project Experience of Assigned Staff

In addition to the case studies outlined above, we have provided below some additional recent projects for water and wastewater utility clients led by Mr. Busch, Ms. Fox and Mr. Kfoury.

Water Replenishment District of Southern California—UFI was retained this year to serve as its financial advisor on optimal financing alternatives for its PFAS Project and other capital projects, monitor refunding opportunities, assist with the application process for state or federal loans, advise on future bond issuances, assist with updating its long-term financial forecast and financing plan for its large CIP program, advise on updating its financial policies, and participate in its annual rating surveillance process with the rating agencies. Mr. Busch and Ms. Fox are currently leading this engagement.

City of Beaumont Inaugural Wastewater Revenue Bonds — UFI was engaged by the City of Beaumont in the wake of officials discovering financial mismanagement and fraud that masked a multimillion-dollar structural operating deficit. In addition to helping the City reorganize its debt and restructure its financial systems and practices, UFI was asked in 2018 to overhaul a prior long-term financial forecast the City had been unable to keep up to date because of its complexity and lack of good user interface. The forecast helped to reconcile inconsistencies between the City’s previous labor costing data and budgeted personnel expenses and to identify opportunities for strengthening its financial position. Less than two years after emerging from the SEC investigation, UFI was engaged by the City to serve as financial advisor on its first rated bond transaction. The 2018 Wastewater Revenue Bonds were issued to fund construction of a new Wastewater Plant, and proceeds requirements totaled \$90 million. The City had commissioned a rate study prior to the issuance of bonds, but many factors had changed since the completion of the rate study. UFI led the charge in dissecting the rate study and drilling down on assumptions that were no longer current to develop a more accurate 5-year projection of revenues, expenses, debt service coverage, and reserve balances for the City’s Sewer Fund. Although the process with S&P was arduous, the City ultimately achieved an “A+” rating, which was a noteworthy achievement, along with very aggressive insurance and surety bids from both Assured Guaranty and Build America Mutual. Ultimately, the City achieved a very low all-in, 31-year fixed borrowing rate.

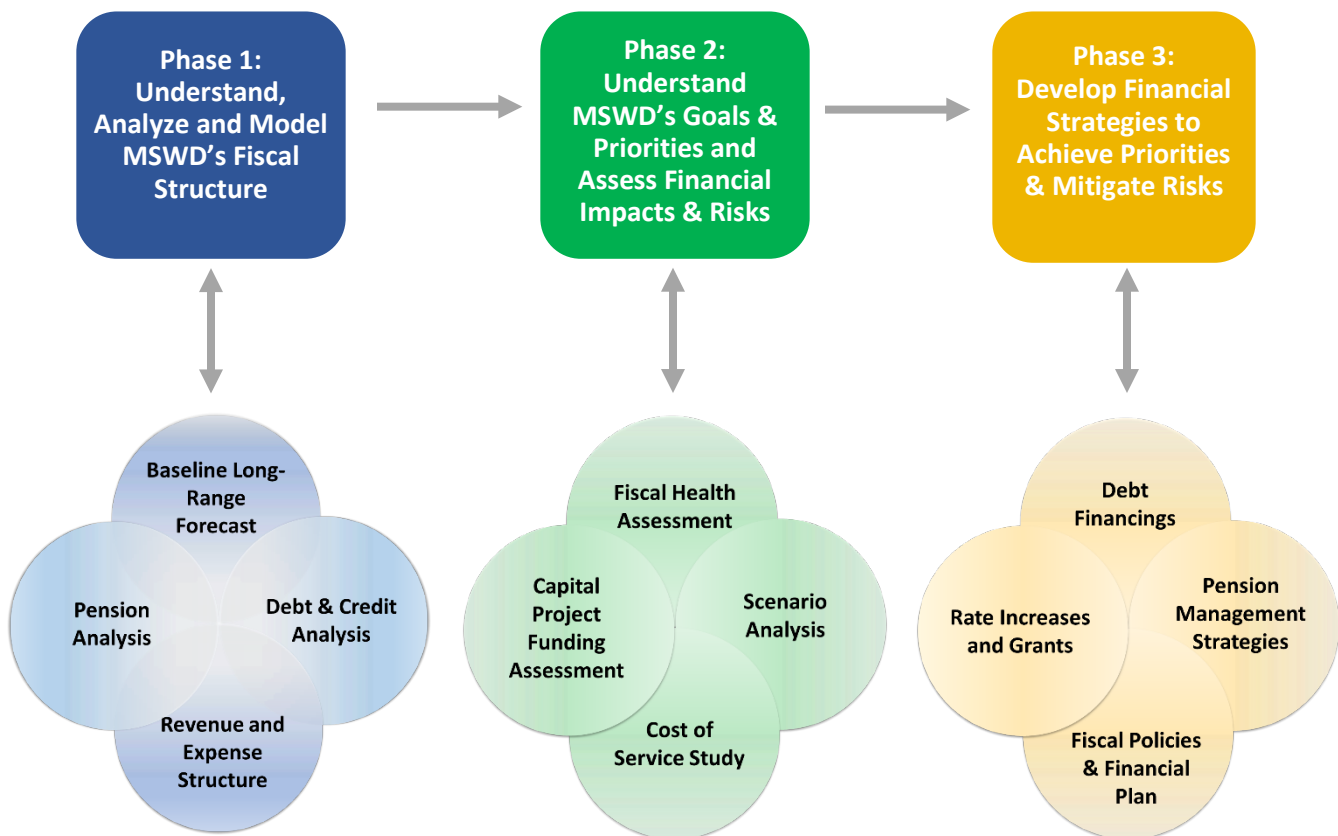
San Bernardino Municipal Water Department Issuance During City Bankruptcy Workout—UFI was retained to perform a two-part analysis for the San Bernardino Municipal Water Department. The Department was evaluating the potential impact of a 6 million gallons per day (MGD) decrease in wastewater flow to its 33 MGD wastewater treatment plant. UFI began the engagement by developing a long-range financial plan for the Department’s sewer enterprise. Then UFI determined the overall impact of loss in MGD by forecasting several primary issues such as: 1) increased revenue from population growth; 2) decreased operations & maintenance and capital improvement expenses; and 3) increased cost of imported water purchased and treated to recharge groundwater basins according to pre-existing upstream commitments. The analysis served as a decision-making platform for the Department and its regional partners in determining next steps. The Department additionally retained UFI for issuance of its water and wastewater bonds, based on UFI’s understanding of the Department’s systems and financial needs. The TIC for both transactions was approximately 4% at a time most thought the deals couldn’t be done since the City was in bankruptcy.

Town of Apple Valley – UFI has assisted the Town of Apple Valley on its priority of acquiring a private water company through eminent domain in order to lower rates for its residents through the elimination of profit, certain taxes, greater accountability, and the ability to borrow tax-exempt for capital projects. Mr. Busch prepared a Financial Feasibility Analysis for the acquisition, which includes a valuation of the water company including its water rights and assets, debt financing options, risk factors, and an acquisition plan. The acquisition is currently in litigation, and Mr. Busch has served as an expert witness on behalf of the Town.

4. Project Understanding (10 pages max.)

The Consultant should clearly state project objectives and anticipated deliverables. In addition, the Consultant should indicate why they are qualified and why MSWD should choose them for this project.

At UFI, we believe that solid financial forecasting, analysis, and strategic planning significantly help clients achieve both fiscal stability and financial sustainability through more informed and consistent decision-making. Armed with a robust forecast-driven analysis of MSWD’s long-term fiscal outlook, District leadership can identify critical unmet needs, develop options to close funding gaps for operating and capital needs, and create strategic plans that achieve the District’s objectives. This approach also helps ensure MSWD “stays-the-course” and achieves its objectives because they are aligned to a solid and continuously updated financial forecast and strategic plan. Finally, a good financial forecast, analysis and strategic plan helps management communicate effectively with elected officials, labor groups, and the general public regarding the trade-offs and costs required to achieve MSWD’s objectives and goals. Below is a graphic of the strategic financial planning process and approach that we recommend MSWD pursue.



UFI is highly qualified in all the phases and tasks except with providing a Cost of Service Study, implementing rate increases, and pursuing grant opportunities. With all the other deliverables, we have assisted a multitude of clients as discussed in the case studies provided in the References section. In terms of Debt Financings and Pension Analysis and Management Strategies, we are one of the top firms in California providing these Municipal Advisory services.

Phase 1: Understand, Analyze and Model MSWD's Fiscal Structure

In the first phase of work, the goal is to thoroughly understand, analyze, and model MSWD's current fiscal structure and ultimately to produce a baseline long-range financial forecast. Because MSWD operates two distinct funds (water and sewer), separate forecasts would be built for each fund and could be aggregated for the overall financial picture of MSWD. This phase of work involves conducting thorough research on MSWD, including the review of existing relevant tools, plans, and reports that MSWD has produced.

Revenue and Expense Structure: It is critical to understand what the main drivers of operating revenues and expenses are for MSWD's water and sewer funds. The sewer fund has a relatively more straightforward revenue structure with fixed monthly charges by customer class versus fixed and variable fee components for the water fund. On the expense side, certain direct expenses, such as pumping, transmission and distribution, sewage collection, and sewage treatment are fully charged to either the water fund or the sewer fund, while other expenses, such as general and administrative, are allocated across both funds. It is also critical to understand the non-operating fiscal structure of MSWD, including property tax revenue, existing grants, debt service, and capital expenses. In diagnosing the fiscal structure of MSWD, we would review the last five years of financial statements and work with staff to understand how MSWD allocates expenses across both funds and identify one-time revenue and expense sources to properly establish baselines for each fund.

Debt and Credit Analysis: Our first phase of work also includes debt and credit analysis for each fund. We would create a debt profile for MSWD, identifying its various obligations by fund, such as its Assessment District Bonds, State and Federal Loans, and private placement financings. In building out the debt profile, we would identify any refunding or restructuring opportunities and produce a graph of the aggregate debt service obligations by fund through final maturity of each obligation. This debt profile is a critical component of determining revenue requirements related to maintaining target debt service coverages, analyzing MSWD's water and sewer credits, and providing alternative financing strategies going forward.

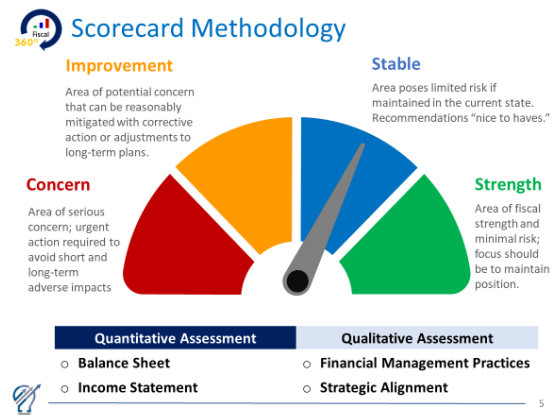
Credit strength determines an issuer's access to capital markets and the borrowing rates that the issuer can obtain. As part of UFI's foundational work with MSWD, we would produce a full credit analysis of the water and sewer funds in order to estimate what ratings we believe bonds secured by each fund would receive. This process also helps to determine debt service coverage, key financial ratios, and days cash on hand targets for MSWD.

Pension Analysis: Growing pension costs have severely impacted municipal budgets as changes implemented by CalPERS have translated into higher fixed dollar contributions with continued escalation in the medium term. And while many pension plans significantly improved their funding status with the 21.3% CalPERS investment return in Fiscal Year 2021, we expect that most public agencies will be worse off than they were as of Fiscal Year 2020 after Fiscal Year 2022 investment losses are incorporated into pension plans. For example, MSWD's Miscellaneous plan was 71.9% funded as of June 30, 2020 and 80.8% funded as of June 30, 2021. For Fiscal Year 2022, CalPERS has reported a preliminary investment loss of -6.1%, which will likely result in an Unfunded Accrued Liability (UAL) payment schedule higher than reported in the CalPERS June 30, 2020 actuarial valuation. In this phase of work, UFI will map out and describe MSWD's pension costs, including UAL and normal costs.

no changes to its organization or operations, and there are no significant external impacts. Importantly, our forecast models include the capacity to have the forecasted fund balance annually allocated to various fiscal policies and priorities, to display key financial ratios, days cash on hand, and debt service coverage ratios. Our model is built on a cash basis and could serve as MSWD’s Liquidity Model as referenced in the District’s RFP.

After establishing a baseline understanding and forecast model, we move into the second phase of work which focuses on understanding the goals and priorities of the District and assessing the financial impacts and risks of those goals and priorities.

Fiscal Health Assessment: UFI has developed a proprietary “Fiscal 360” assessment tool to identify factors that impact a public agency’s fiscal condition by providing a framework for measurement and analysis. The tool compares the agency’s financial, budgetary, economic, and demographic data with key metrics, benchmarks and best practices, to create a scorecard of financial indicators that can be used to evaluate the ongoing financial performance of the agency. The Fiscal 360 scorecard can be used by leadership to identify financial strengths and weaknesses, highlight areas of improvement and spotlight potential risks.



The Fiscal 360 is built upon an analytical process that incorporates four major financial areas (revenues, expenses, solvency and policies), each of which is disaggregated into four levels of analysis with a total of 38 separate measurements of fiscal health, summarized in an easy-to-read score card. UFI has utilized its Fiscal 360 tool to both conduct a comprehensive stand-alone fiscal health assessment of our client, or to augment other fiscal analyses requested by our client.

Capital Project Funding Assessment: As MSWD has noted, expenses have been significantly increased due to the increase in capital improvement projects to be started and completed in Fiscal Year 2023 as well as the Regional Water Reclamation Facility. Providing water and sewer services is capital intensive not only to maintain the infrastructure but also to comply with ever stringent state and federal mandates. While grants are available for certain capital projects, they will not fund all of MSWD’s capital needs. It is critical to take the District’s most current Capital Improvement Plan (CIP), understand the prioritization of the projects, project the spend down schedule for the projects, and identify the potential funding sources for the projects. UFI can assist with the following activities related to producing a capital project funding assessment:

- Review budgets, capital improvement plan, financial projections, financial policies, and other related financial information;
- Prepare Capital Improvement Plan (CIP) funding assessment taking into consideration the following factors:
 - Timing & priority of capital projects
 - Internal capacity/ability to complete capital projects
 - Available revenues for the projects
 - Availability of grant funding
 - MSWD’s existing debt/liabilities
 - Debt financing/capital structure

- Useful life of capital projects
- Identify and analyze financing solutions and alternatives for funding the Capital Improvement Plan;
- Evaluate and analyze credit considerations for financing alternatives;
- Advise on timing and size of future new money borrowings; and
- Prepare preliminary cash flows for financing alternatives.

Scenario Analysis: With a solid grasp of MSWD’s baseline long-term financial outlook, fiscal health assessment, and capital project funding assessment, UFI can work with staff and leadership to understand MSWD’s priorities and to model financial plans that help achieve MSWD’s objectives and priorities. The essence of this process can be summarized as follows: (1) understanding the District’s prioritized needs and goals and monetizing the costs thereof; (2) working with MSWD to identify various risks that could significantly affect the District’s financial future; (3) integrating and iterating the aforementioned through MSWD’s forecast model with various fiscal impact scenarios; (4) and evaluating the overall, combined fiscal impacts.

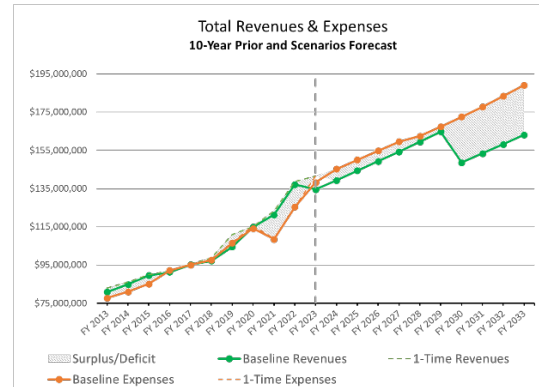
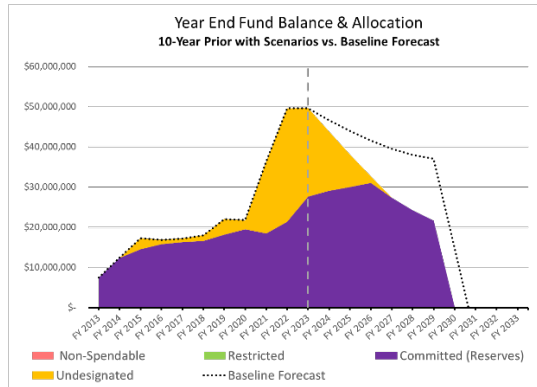
- **“What-if” Scenario Forecasts, Including a Built-in Recession Module.** UFI’s forecast models include significant capacity for users to create “what-if” scenario forecasts to compare against the baseline or other scenario forecasts (see control panel feature below for further details). Similar to the baseline forecast, scenario forecasts include a full ten-year projection of revenues, expenses, cash flows and fund balance. We also include in our forecast models a built-in recession module that allows our city clients to understand the financial impact of a future recession based on a historic modeling of previous recessions. Finally, the architecture of UFI’s forecast model allows for full integration of additional custom revenue and/or expense scenario module requested by our clients. For MSWD, a more relevant module may be brought rather than recession.

- **Universal Control Panel.** UFI’s forecast models contain a customized control panel that allows users to toggle and adjust all the forecasting variables and scenarios without leaving the control panel. Adjustments include, but are not limited to the following: (1) selection of the appropriate forecast

- trendline for any revenue or expense category at either a general or a more granular subcategory level, (2) creation of custom scenarios through adjustment of the forecast variables for any revenue or expense category in a single or across multiple forecast years, and (3) adjustment of the variables for any custom scenario modules included in the model such as the recession module.

- **Intuitive Dashboard.** Our forecast models provide a dashboard with graphical outputs and

statistical measurements that help tell the story of the agency’s current and future fiscal condition in understandable terms to policymakers, stakeholders and the general public. Our standard dashboard elements allow a comparison of the baseline and scenario forecasts across multiple metrics. UFI is also capable of creating custom dashboard elements as requested by clients.



UFI’s forecast models are designed to be owned, manipulated and fully utilized by our clients. Upon completion of a forecast model, we believe it’s important to allow for at least one or two online sessions in which UFI works with staff on how to utilize and manipulate the forecast model to best meet the client’s needs. Notwithstanding the foregoing, some of our clients have preferred to use UFI to assist with scenarios and periodic updates of their forecast model (usually annually or semi-annually) for purposes of efficiency and time-savings. As noted above, the architecture of our forecast models allows UFI to efficiently and effectively assist clients as needed. Upon completion of the user orientation, we can discuss further staff’s comfort level with both the forecast model and Excel, the frequency of expected updates, and what level of assistance may be needed from UFI for future updates and analysis.

Cost of Service Study: In evaluating how MSWD’s goals and priorities impact various customer classes and to determine appropriate rate structure adjustments or increases, it is important to commission a cost of service study, similar to the one that Willdan completed in December 2015. UFI does not produce cost of service studies or rate studies given that there are a handful of firms that specialize in this area.

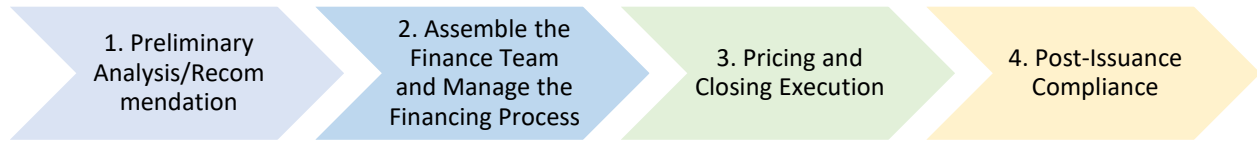
UFI’s reports are customized to each engagement based on the client’s objectives and what we learn. We ensure our analysis, findings and recommendations are organized in an easy-to-understand format, presented in a practical and positive manner with actionable outcomes. The contents of any report or presentation requested by the City will be best determined after further discussion between the City and UFI regarding the types of reports and needs/goals of the City.

Phase 3: Develop Financial Strategies to Achieve Priorities & Mitigate Risks

In this final phase of work, UFI would assist MSWD in developing and implementing financial strategies to achieve its priorities and to mitigate risks that have been identified in the prior phases.

Debt Financings: Every financing undertaken by UFI begins with proper planning and financial due diligence and ends with ongoing monitoring and administration. UFI has experience working on behalf of municipalities like the District, and we believe we can tailor our approach to fit the District’s needs. We view our role as an extension of staff, and we can be available to the District as often as is required to complete a financing. It is our goal to limit the District’s involvement to only critical areas and to

complete each financing in a manner that achieves the District’s goals, results in the lowest cost of funds, and maximizes efficiency without putting any unnecessary burden on District staff time. Our approach to municipal advisory services can be broken down into four main steps, as summarized below:



Activity 1: Preliminary Analysis/Recommendation

First, we conduct a complete assessment of the client’s needs and financial constraints. Where appropriate and requested by the client, this preliminary work may include preparation of a detailed finance plan for the capital project(s) involved in the financing (see below for details). During this period, UFI staff performs the following tasks:

1. Schedule meetings or calls with staff to request all necessary data and discuss the needs and goals of the District.
2. (Optional as needed) Undertake a funding analysis for the identified capital project(s) and **prepare a finance plan**. The analytical process considers the following factors:
 - Timing & priority of the capital projects
 - Internal capacity/ability to complete the capital projects
 - Available revenues of the District
 - Availability of grant funding
 - District’s existing debt/liabilities
 - Debt financing/capital structure
 - Useful life of the capital projects

Based on the analysis, a finance plan is developed that identifies the financing solutions and alternatives for funding the capital projects, evaluates the credit considerations for the financing alternatives, advises on timing and size of the borrowings, and contains preliminary cash flows for the financing alternatives.

3. **Analyze existing outstanding debt** to determine parity test requirements, feasibility of refunding certain outstanding series of Bonds, and debt affordability.
4. Assist with comprehensive credit analysis to determine the anticipated rating, preferred structure, and interest rate scale for the Bonds.
5. Prepare a summary of cost of issuance
6. Independently structure the financing and present results to the District.

Activity 2: Assemble the Finance Team and Manage the Financing Process

After an evaluation of financing options/alternatives, should it be determined that financing targets will be met through a bond issuance, UFI will begin work on the financing schedule and the implementation of the agreed upon financing strategy. The scope of work includes, but is not limited to, the following:

- 1) *Assist in the selection of additional service providers*: UFI is knowledgeable of, and has worked with, most major firms in the California public finance sector. Should the District wish to go out

for RFP for services such as underwriter, bond counsel, disclosure counsel, or trustee, we are experienced with managing and assisting staff with the selection process for these services.

- 2) *Develop the financing timetable:* UFI will coordinate with staff to develop a schedule that is consistent with the District's goals, staff availability, financing timing, and existing District Council meeting schedules.
- 3) *Monitor the transaction process:* A primary role as municipal advisor involves the close monitoring of the financing to ensure successful completion. As such, UFI will coordinate all activities of the financing team and will assist in the preparation of information for and review of official statements, legal documents, loan term sheets, cash flows, staff reports, and all other applicable documents or presentations to the Council or rating agency.
- 4) *Provide support to the District relating to financing documents:* We are experienced in the delivery of presentations to District Councils and drafting of applicable staff reports regarding adoption of the financing documents.
- 5) *Compute Sizing and Structure of Debt Issue:* Utilizing municipal market data and bond sizing applications, UFI will verify cash flows presented by underwriters.
- 6) *Plan and Coordinate Presentations to Ratings Agencies, Bond Insurers, and Investors:* UFI is well prepared to assist in the drafting and delivery of credit presentations to rating agencies. While many factors go into the investment decision-making process, the bond rating is often the single most important factor affecting the interest cost on bonds. These credit presentations are then easily adapted for discussions with bond insurers and investors.
- 7) *Interest Rates and Timing:* As a result of the ever-changing municipal market environment, UFI will constantly monitor market rates to ensure that financial alternatives as well as refinancing assumptions and recommendations are maximized through proper timing.

Activity 3: Pricing and Closing Execution

UFI offers extensive expertise when it comes to the pricing of municipal securities as our staff includes former investment bankers who are intimately familiar with the underwriting of municipal securities. We closely monitor the municipal markets through our in-house resources, which include a Bloomberg terminal and frequent involvement in bond transactions. In the weeks leading up to a pricing, UFI will monitor and track comparable transactions. Generally, our approach is to recommend that the underwriter employ an aggressive pricing strategy (aiming for approximately 2 times oversubscription) to achieve the best possible pricing for our clients. We will work to ensure the best possible result for the District, without risk of diminishing investor participation, and provide post issuance analysis. In addition to ensuring fair market spreads, UFI will work with the underwriter to analyze alternative couponing strategies that result in the lowest possible true interest cost and/or net present value savings for refundings. We will also push for the most flexible call feature.

Activity 4: Post-Issuance Compliance

Urban Futures has staff members dedicated to managing the continuing disclosure and dissemination agent needs of our clients. We have over 20 years of experience providing continuing disclosure and dissemination agent services, and we currently serve over 200 public agency clients with the preparation of over 400 reports annually. On transactions where we are engaged as MA, UFI reviews the Continuing Disclosure Agreements and Bond Indentures for every bond issuance at the very beginning of the financing process. This ensures continuing disclosure requirements provide necessary transparency to investors without overburdening District staff. In addition to annual continuing disclosure reports, UFI can

assist the District in the preparation and submission of CDIAAC required reports. Finally, we can assist the District with arbitrage rebate reporting required by the IRS.

UFI’s Experience with Alternative Financing Opportunities

UFI has experience with all forms of financing, including WIFIA, California SRF financings, and public market and private placement transactions. We provide below a discussion of the nine funding sources commonly used by California local agencies to finance water and wastewater projects:

Source	Grants Available	Maximum Rate	Maximum Final Maturity (Years)
Government			
Infrastructure & Economic Development Bank (IBank)	No	AAA	30
State Water Resources Control Board (SWRCB)	Yes	50% of AA-	30
USDA Rural Development (RD)	Yes		40
Water Infrastructure Finance & Innovation Act (WIFIA)	No	U.S. Treasury	30
Market			
Placement	No	Varies by Issuer	15
Public Offering	No	Varies by Issuer	30
Other			
CA Special District Association Finance Corporation (SDA)	No	Varies by Borrower	30
CoBank	No	Varies by Borrower	30
Public Finance Authority (PFA)	No	AA + 0.25%	30

Source: Piper Jaffray & Co.

Each of these funding sources fund a wide range of water and wastewater projects, require final maturities to be equal to the useful life of the project, limit debt to debt service coverage thresholds, and require debt documentation (i.e., bonds, installment agreements, certificates of participation, or loans). Additionally, each of the funding sources has associated costs of borrowing, borrowing limits (some require the inclusion of other funding sources as a “match”), and various lead times before receiving funding.

The best financing source (or combination of sources) depends on the borrower and the project. For example, project amounts in excess of \$50 million that have longer construction schedules derive more benefit from WIFIA. Borrowers who would like to defer or wrap debt service also benefit from WIFIA. On the other hand, WIFIA has much higher borrowing costs and application fees and will only fund up to 50% of a project. The State Water Resources Control Board SRF program offers loans and grants based on annual priority lists. SRF has lower borrowing costs, but the SWRCB is currently challenged to respond to demand and would need quite a bit of lead time.

Pension Management Strategies: The pension liability of each public agency is unique, which is impacted by several factors including: benefit levels/enhancement, demographic trends, changes in underlying assumptions, actual investment returns, and historical funding patterns over the past several years. Addressing the District’s pension liability requires strategies tailored to meet the District’s budget and policy constraints.

UFI takes a systematic approach to evaluating pension funding strategies with the goal of developing a long-term Pension Funding Plan. Since pension liabilities are ongoing and dynamic, this plan typically involves multiple strategies over a multi-year timeframe, each of which we review below:

1. Analysis of Pension Liabilities and Building Customized Pension Model
2. Evaluation of Alternative Funding Strategies and Targeting Strategies
3. POB Analysis
4. Stakeholder Education & Communication
5. Pension Funding Plan & Recommendations

Clients have engaged UFI to address multi-agency (JPA) pre-payment strategies, “fund-exchange” strategies, impact of salary increases on UAL, establishing pension stabilization funds, terminating CalPERS contract, developing pension funding policies, UAL base projections, and conduct education workshops. If desired, UFI can work with District staff to provide specific and detailed recommendations regarding addressing its retirement costs and needed steps to maintain or improve its financial position, and also assist with developing a comprehensive pension funding policy.

Rate Increases and Grants: Rate revenue and grants are important financial resources for MSWD. As mentioned previously, UFI is not a rate consultant, so a separate firm would need to be engaged to assist MSWD with a rate study and with the implementation of the Prop 218 process. However, UFI can help either produce pieces of a cost of service/rate study or review and provide input on the assumptions used to build the rate model.

Fiscal Policies and Financial Plan: In order to assist MSWD in “staying the course”, UFI can assist MSWD in updating its existing fiscal policies and, if desired, consolidating its fiscal policies into one document for approval by the Board. Critical policies include the following: Operating Budget and Capital Improvement Program Administration Policy; Fund Balances, Reserves, & Surplus Policy; Debt Management Policy; and an Investment Policy. These policies would be updated to incorporate new reserve targets, debt service coverage targets, how to allocate surplus monies across various funds and priorities, and pension funding policies.

In order to document all of the tasks in the first two phases and the financial strategies proposed in Phase 3, UFI can develop a Long-Range Finance Plan Document with all of the components referenced in MSWD’s RFP, including the following:

- 1) Discussion of the financial forecast including trends, alternative funding strategies, rate increases, and the variability of key revenues and expenditures;
- 2) Discussion of assumptions and financial policies;
- 3) Discussion and analysis of financial ratios, days cash on hand, and debt service coverage ratios;
- 4) Discussion and analysis of the impacts of conservation and other risks on MSWD’s budget;
- 5) Discussion of strategies and policies jointly developed by MSWD and UFI to achieve and maintain structural balance over a multi-year period.

While we can produce this in a report format, we find that our clients prefer a presentation that can be given to the governing body and the public. We are happy to discuss this option with MSWD.

5. Scope of Work (20 pages max.)

In preparing the scope of work ensure that the following information is included:

- Specific tasks for each phase with a deliverable end-result that includes the designated expected deliverable.

-
- Estimated hours to complete each task.
 - Schedule and timeline for the entire project broken down by phase and task.

The Scope of Work, including specific tasks for each phase with a deliverable end-result is described in the previous section. Below is an estimated timeline for each phase and task, but actual hours and schedule may change after initial discussions with MSWD staff.

Phase 1: 6 weeks

Pension Analysis: 2 weeks
Debt and Credit Analysis: 1 week
Revenue and Expense Structure: 2 weeks
Forecast Modeling: 6 weeks

Phase 2: 6 weeks

Fiscal Health Assessment: 5 weeks
Capital Project Funding Assessment: 6 weeks
Scenario Analysis: 3 weeks
Cost of Service Study: N/A

Phase 3: 16 weeks

Debt Financings: 16 weeks
Pension Management Strategies: 6 weeks
Rate Increases and Grants: N/A
Fiscal Policies and Financial Plan: 8 weeks

Appendix A: Professional Biographies – UFI Team Members



MICHAEL BUSCH

Chief Executive Officer

CONTACT

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Suite 1246 Orange, CA 92868

TEL: (714) 316-6150

EMAIL:

Michaelb@urbanfuturesinc.com

EDUCATION

M.P.A. – Finance and Public
Works

Cal State University, Long Beach

B. A., Urban and Regional
Planning

*Cal State Polytechnic University,
Pomona*

PROFESSIONAL AFFILIATIONS

California Redevelopment
Association (CRA)

California Society of Municipal
Finance Officers (CSMFO)

Past President – Municipal
Management Association of
Southern California (MMASC)

Past Chair – Cal-ICMA

Profile

Michael Busch is an accomplished municipal executive and public finance professional who has helped manage several public agencies as an assistant city manager and finance director. Through his leadership of UFI and engagement with professional organizations, Michael helps cities, counties, special districts, and nonprofits across the State of California identify emerging trends, engage in critical policy issues, exchange proven practices, and advance their missions through sound fiscal and operational policy. During his 14-year tenure with UFI, numerous public agencies have engaged Michael as both a strategic consultant and municipal advisor based on his public finance expertise and broad understanding of fiscal issues affecting the public sector. Michael has worked on over \$5 billion in tax-exempt and taxable debt, including lease revenue bonds/COPs, water/wastewater revenue bonds, TABs, CFD and assessment district bonds, and New Market Tax Credits. He has executed lease transactions for the Cities of Lake Elsinore, Desert Hot Springs, Coachella, Orange, and is currently assisting the Cities of Menifee and San Jacinto on the evaluation of lease revenue bonds to finance public facilities.

Relevant Project Experience

- City of Coachella, 2022 Water Revenue Bonds
- Rowland Water District, 2021 Refunding Bonds
- Walnut Valley Water District, 2021 Refunding Bonds
- City of Oceanside, 2021 Water Revenue Bonds
- City of Covina, 2020 Water Installment Agreement
- Culver City, 2019 Wastewater Revenue Bonds



WING-SEE FOX

Managing Director

CONTACT

1470 Maria Lane, Suite 315,
Walnut Creek, CA 94596

TEL: (650) 503-1500

EMAIL:

wingseef@urbanfuturesinc.com

EDUCATION

MBA

Columbia Business School

MSW

*Columbia University School of
Social Work*

BA, Psychology

Stanford University

PROFESSIONAL AFFILIATIONS

Women in Public Finance (WIP)

Asian Americans in Public Finance
(AAPF)

California Society of Municipal
Finance Officers (CSMFO)

Communications Committee

Class of 2015 LeaderSpring Fellow

Profile

Wing-See Fox is the Series 54 Municipal Advisor Principal of UFI and leads the Public Finance Group. Wing-See has over a decade of experience in the fields of municipal advising, public finance, and municipal securities. She has worked on over \$3 billion in municipal debt offerings for cities and special districts in California including lease revenue bonds and certificates of participation. She has recently executed lease transactions for the Cities of Claremont, South San Francisco, Orange, Atherton, the Town of Apple Valley and Cosumnes Community Services District. Wing-See excels in gaining a thorough understanding of credits, validating assumptions in financial projections, and structuring bond transactions to meet the needs of the issuer while maximizing credit strength and marketability to investors. She has extensive experience developing credit presentations geared towards the criteria of rating agencies in order to achieve the highest possible ratings. Prior to becoming a municipal advisor, Wing-See was a public finance investment banker, having worked at Raymond James Public Finance in San Francisco and UBS Investment Bank in New York.

Relevant Project Experience

- Diablo Water District, 2022 COPs
- Tamalpais Community Services District, 2020 Wastewater Rev. Bonds
- Ukiah Valley Sanitation District, 2020 Wastewater Rev. Bonds
- Diablo Water District, 2019 COPs
- City of Covina, 2020 Water Installment Agreement
- Culver City, 2019 Wastewater Revenue Bonds
- San Juan Water District, 2017 Water Revenue Bonds



BRANDEN KFOURY

Director

CONTACT

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brandenk@urbanfuturesinc.com

EDUCATION

BS, Finance
New York University

PROFESSIONAL AFFILIATIONS

California Society of Municipal
Finance Officers (CSMFO)

Profile

Branden Kfoury joined Urban Futures in 2019. He has worked on a variety of debt offerings for cities and special districts in California including, but not limited to utility revenue bonds, general obligation bonds, lease revenue bonds, CFD and assessment district bonds, as well as tax allocation bonds. Mr. Kfoury has extensive experience in all aspects of the bond financing process and excels at providing value-added debt structuring, credit and quantitative analysis. Previously, Mr. Kfoury worked as a Senior Associate at Fieldman, Rolapp & Associates where he supported the firm's city and special district clients. Mr. Kfoury has held prior roles in public finance investment banking, bond insurance, as well as in the technology industry. He graduated Cum Laude from New York University with a Bachelor of Science degree in Finance and a minor in Politics.

Relevant Project Experience

- Diablo Water District, 2022 COPs
- Rowland Water District, 2021 Refunding Bonds
- Walnut Valley Water District, 2021 Refunding Bonds
- Hercules, 2021 Wastewater Refunding Bonds
- Diablo Water District, 2019 COPs
- City of Covina, 2020 Water Installment Agreement
- Culver City, 2019 Wastewater Revenue Bonds

Regulatory Disclosure

Disclosure of Conflicts of Interest and Legal or Disciplinary Events. Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients and potential clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of Urban Futures, Inc. (“UFI”) and its associated persons.

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