

**SCOTTS VALLEY WATER DISTRICT
BOARD MEETING
DECEMBER 8, 2016**

**INSTALLMENT PURCHASE AGREEMENT
(REFUNDING OF 2004 COPS AND 2011 LOAN AGREEMENT)**



Outstanding Indebtedness

	2004 Refunding COPs	2011 Loan Agreement
Original Amount	4,010,000	5,120,000
Outstanding Amount	2,355,000	4,220,000
Final Maturity	July 1, 2027	January 1, 2027
Reserve Fund	Surety	Cash
Redemption Dates	AID @ 100%	Any Date @ 101%
Range of Interest Rates	3.90-4.75%	3.25%
Series Notes	Refunded 97-1 COPs Costs of Issuance	Refunded 2002-1 COPs Cash Reserve Fund Costs of Issuance

- Outstanding obligations total \$6.575 million:

2004 COPs	\$2.355 million
2011 Loan	<u>\$4.220 million</u>
Total	\$6.575 million

- On October 13, the Board gave direction for the team to explore refinancing both series into a single obligation as a direct placement
- On October 28, the team received seven qualified term sheet responses
- On November 1, JP Morgan Chase was chosen as the clear winner
- Interest rate locked with JP Morgan Chase @ 1.85% on November 7

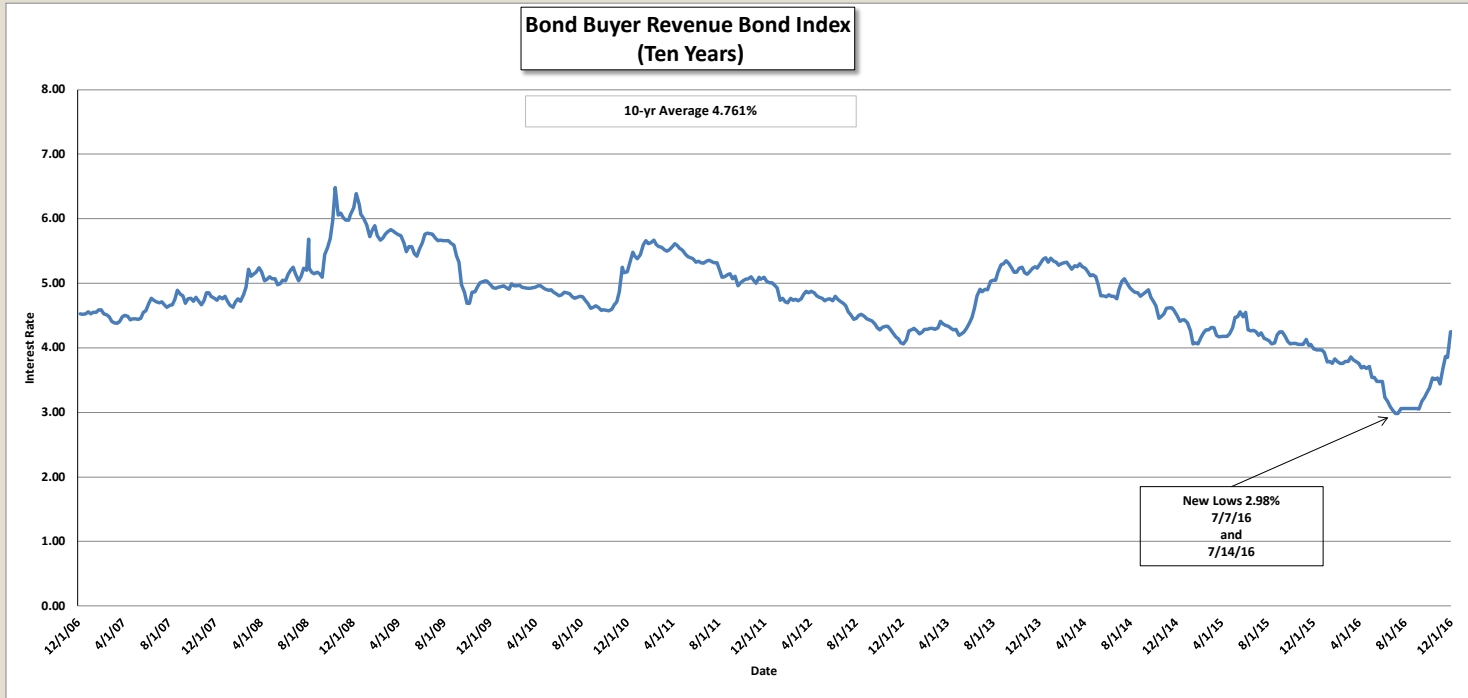
Summary of Term Sheet Responses

Lender	Interest Rate	Rate Lock	Prepayment Provisions	Total Savings	NPV Savings	Avg. Annual Savings	NPV Savings %
JP Morgan Chase (A) ⁽¹⁾	1.76%	Agreement ⁽²⁾	Non-Callable	\$743,924	\$658,931	\$67,400	10.02%
JP Morgan Chase (B) ⁽¹⁾	1.85%	Agreement ⁽²⁾	7/1/21 @ 100%	\$713,229	\$630,430	\$64,560	9.59%
Opus Bank	2.37%	Hold	5% DTP in 10-Years or 8-years @ 100%	\$529,583	\$444,592	\$47,910	6.76%
Capital One	2.48%	Yes 12/21	7/1/22 @ 100%	\$502,115	\$417,208	\$45,422	6.35%
Municipal Finance Corp	2.47%	Yes 12/31	Non-Call to 1/1/20 101% Thereafter	\$497,079	\$413,093	\$44,965	6.28%
Umpqua Bank	2.46%	Two Weeks	103% DTP Year 7				
BBVA Compass	2.60%	Thirty Days	Ten Years @ 100%				
Signature Public Funding	2.89%	N/A	Five Years @ 103% 102% Thereafter				

Banks that declined to submit a proposal: Bank of Marin, Bank of the West, BB&T, CoBiz, McQueen Financial Advisors, Orix, Pinnacle, Sterling Public Funding, Texas Capital Bank, Western Alliance, and Zions Bank

(1) 1.20x Rate Covenant, 1.25x Additional Bonds Test

(2) With JPMorgan Chase's rate lock, the District is subject to breakage fees once the rate is locked if the financing does not close by the expected closing date AND interest rates go down. Note: A 10 basis point drop in interest rate would result in breakage fees of approximately \$32,756. Rates are up significantly since rate lock was executed on November 7.



Date	Revenue Bond Index
7/7/2016	2.98
7/14/2016	2.98
7/21/2016	3.06
7/28/2016	3.06
8/4/2016	3.06
8/11/2016	3.06
8/18/2016	3.06
8/25/2016	3.06
9/1/2016	3.06
9/8/2016	3.05
9/15/2016	3.18
9/22/2016	3.23
9/29/2016	3.31
10/6/2016	3.38
10/13/2016	3.53
10/20/2016	3.51
10/27/2016	3.53
11/3/2016	3.44
11/10/2016	3.69
11/17/2016	3.87
11/22/2016	3.85
12/1/2016	4.25

Notes:
Revenue 25 Bond Index (30 Years, A1, A+)

- As of December 1, interest rates are up 127bp since the low point on July 7 and up 81bp since November 3 (rate locked on November 7)
- Rate was locked prior to significant sell off that has occurred since election day

Net Present Value Savings (2004 Refunding COPs)

Savings Calculation
Scotts Valley Water District
Installment Purchase Agreement (2016 Credit Facility)
Refunding of 2004 Refunding COPs

FY	Prior Issue Debt Service	Less: Prior Receipts	Prior Issue Net Debt Service	Refunding Issue Debt Service	Net Annual Savings	Present Value Savings
2017	52,111.25	52,111.25	-	-	-	-
2018	275,810.00	-	275,810.00	242,967.78	32,842.22	32,265.58
2019	273,752.50	-	273,752.50	240,910.27	32,842.23	31,692.67
2020	271,268.75	-	271,268.75	238,426.04	32,842.71	31,131.96
2021	273,286.25	-	273,286.25	240,444.01	32,842.24	30,582.42
2022	269,792.50	-	269,792.50	236,950.37	32,842.13	30,044.62
2023	270,822.50	-	270,822.50	237,980.27	32,842.23	29,518.30
2024	276,140.00	-	276,140.00	243,297.52	32,842.48	29,004.21
2025	270,787.50	-	270,787.50	237,945.23	32,842.27	28,500.57
2026	269,917.50	-	269,917.50	237,075.76	32,841.74	28,007.39
2027	268,462.50	-	268,462.50	235,620.37	32,842.13	27,525.58
2028	271,293.75	-	271,293.75	238,451.46	32,842.29	27,054.50
	<u>3,043,445.00</u>	<u>52,111.25</u>	<u>2,991,333.75</u>	<u>2,630,069.08</u>	<u>361,264.67</u>	<u>325,327.80</u>

PV of Savings from Cash Flow	325,327.80
Plus: Refunding Funds On Hand	0.19
Net PV Savings	<u>325,327.99</u>

Net PV Savings % (Prior Issue) 4.948%

Net Present Value Savings (2011 Loan Agreement)

Savings Calculation
Scotts Valley Water District
Installment Purchase Agreement (2016 Credit Facility)
Refunding of 2011 Loan Agreement

FY	Prior Issue Debt Service	Less: Prior Receipts	Prior Issue Net Debt Service	Refunding Issue Debt Service	Net Annual Savings	Present Value Savings
2017	178,575.00	178,647.22	(72.22)	-	(72.22)	(72.18)
2018	356,787.50	2,600.00	354,187.50	324,817.62	29,369.88	27,751.51
2019	354,393.75	2,600.00	351,793.75	322,638.60	29,155.15	27,048.12
2020	356,837.50	2,600.00	354,237.50	324,863.54	29,373.96	26,731.37
2021	443,956.25	2,600.00	441,356.25	404,176.59	37,179.66	32,791.49
2022	531,606.25	2,600.00	529,006.25	483,972.59	45,033.66	39,358.40
2023	527,387.50	2,600.00	524,787.50	480,131.15	44,656.35	38,283.17
2024	522,843.75	2,600.00	520,243.75	475,995.09	44,248.66	37,208.15
2025	527,893.75	2,600.00	525,293.75	480,592.14	44,701.61	36,869.93
2026	532,293.75	2,600.00	529,693.75	484,598.33	45,095.42	36,482.75
2027	796,043.75	522,600.00	273,443.75	270,221.64	3,222.11	2,648.63
2028	-	-	-	-	-	-
	<u>5,128,618.75</u>	<u>724,647.22</u>	<u>4,403,971.53</u>	<u>4,052,007.29</u>	<u>351,964.24</u>	<u>305,101.34</u>

PV of Savings from Cash Flow	305,101.34
Plus: Refunding Funds On Hand	0.53
Net PV Savings	<u>305,101.87</u>

Net PV Savings % (Prior Issue) 4.640%

Net Present Value Savings (Combined Series)

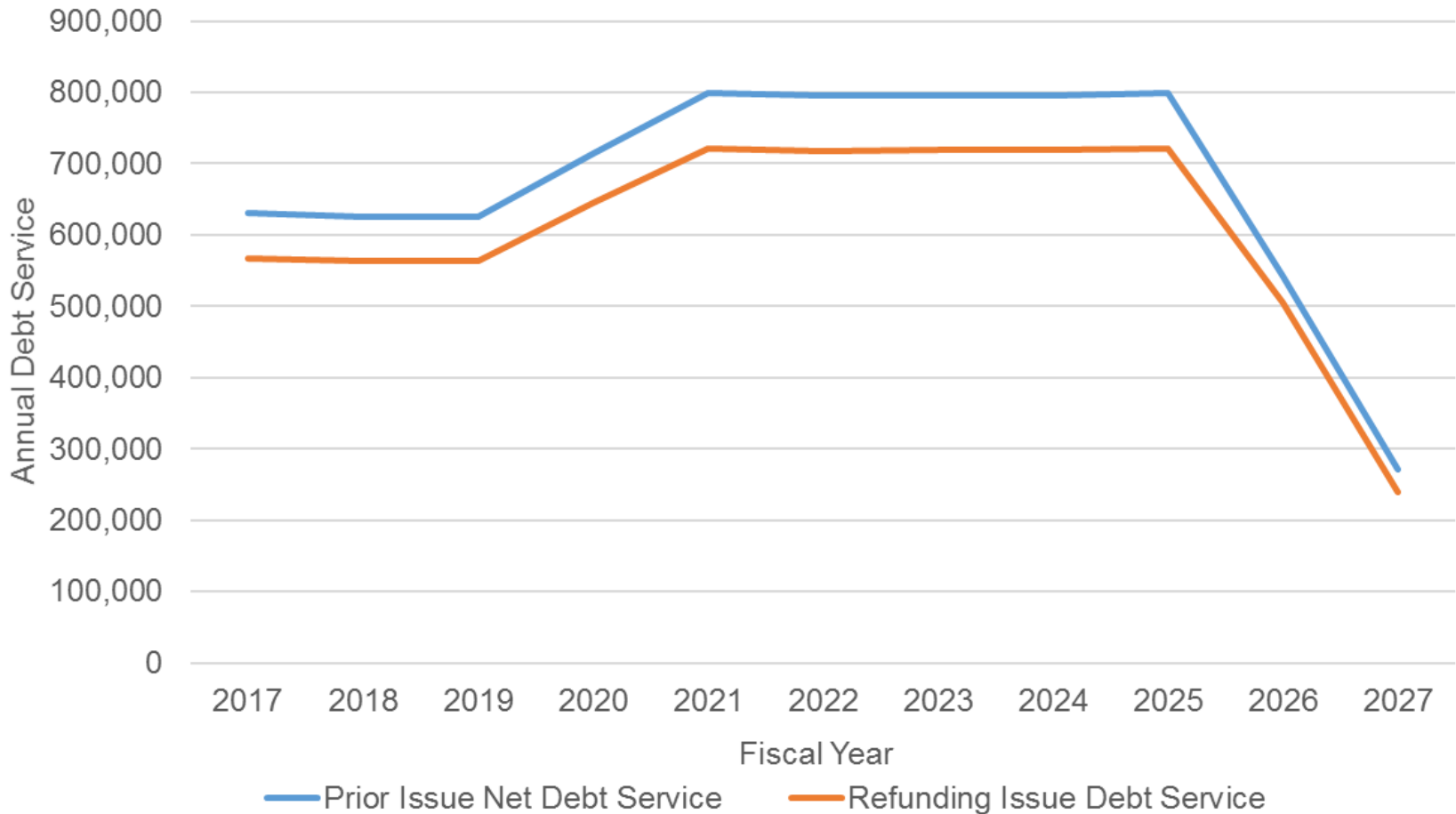
**Scotts Valley Water District
Installment Purchase Agreement (2016 Credit Facility)
Combined Refunding Series**

FY	Prior Issue Debt Service	Less: Prior Receipts	Prior Issue Net Debt Service	Refunding Issue Debt Service	Net Annual Savings	Present Value Savings
2017	230,686.25	230,758.47	(72.22)	-	(72.22)	(72.18)
2018	632,597.50	2,600.00	629,997.50	567,785.40	62,212.10	60,017.09
2019	628,146.25	2,600.00	625,546.25	563,548.87	61,997.38	58,740.79
2020	628,106.25	2,600.00	625,506.25	563,289.58	62,216.67	57,863.33
2021	717,242.50	2,600.00	714,642.50	644,620.60	70,021.90	63,373.91
2022	801,398.75	2,600.00	798,798.75	720,922.96	77,875.79	69,403.02
2023	798,210.00	2,600.00	795,610.00	718,111.42	77,498.58	67,801.47
2024	798,983.75	2,600.00	796,383.75	719,292.61	77,091.14	66,212.36
2025	798,681.25	2,600.00	796,081.25	718,537.37	77,543.88	65,370.50
2026	802,211.25	2,600.00	799,611.25	721,674.09	77,937.16	64,490.14
2027	1,064,506.25	522,600.00	541,906.25	505,842.01	36,064.24	30,174.21
2028	271,293.75	-	271,293.75	238,451.46	32,842.29	27,054.50
	<u>8,172,063.75</u>	<u>776,758.47</u>	<u>7,395,305.28</u>	<u>6,682,076.37</u>	<u>713,228.91</u>	<u>630,429.14</u>

PV of Savings from Cash Flow	630,429.14
Plus: Refunding Funds On Hand	0.72
Net PV Savings	<u>630,429.86</u>

Net PV Savings % (Prior Issue) 9.588%

Scotts Valley Water District
Annual Savings
(Combined Series)



Debt service on the Installment Purchase Agreement matches the structure of the combined outstanding debt service of both the 2004 Refunding COPs and 2011 Loan Agreement – no change other than annual savings

Estimated Costs of Issuance

Item	Dollar Amount
Bond Counsel	23,000.00
Placement Agent	15,000.00
Municipal Advisor	14,750.00
Lender's Legal	8,500.00
Escrow Agent / COI Custodian	750.00
Verification Agent	2,500.00
Miscellaneous	2,750.00
CDIAC	909.36
Total	<u>68,159.36</u>

Financing Schedule

Task	Status	Date
Select Recommended Team	Completed	September
Finance Committee Meeting	Completed	September 20
District Board Meeting (Seeking Direction)	Completed	October 13
Draft Term Sheet Released	Completed	October 14
Lender Selection and Notification	Completed	Week of October 31
Mail Conditional Call Notice(s)	Completed	November 30
District Board Meeting (Seeking Approval)		December 8
Execute Final Documents		Week of December 12
District Board Meeting (New Proposition 218 Rates Adopted)		Mon December 12
Closing and Transfer of Funds		December 21

Financing Team

Role	Firm
Bond Counsel	Kronick Moskowitz Tiedemann & Girard
Municipal Advisor	Del Rio Advisors, LLC
Placement Agent	Brandis Tallman LLC
Lender	JP Morgan Chase
Trustee / Escrow Agent	MUFG Union Bank, N.A.

Discussion Items and Recommendation

- Refunding interest rate locked at 1.85% as of November 7
- Refunding bonds will pay principal and interest on July 1 and January 1
- Security: pledge of net water revenues (same as current pledge)
- Refunding all outstanding obligations gives the District an ability to structure new covenants with a clean set of documents
 - 1.20x Rate Covenant, 1.25x Additional Bonds Test, Rate Stabilization Fund
 - Prior documents:
 - Conflict in Rate Covenant: net revenues divided by current year debt service or debt service in succeeding year
 - 1.20x Rate Covenant and Additional Bonds Test
- No reserve fund
- No annual continuing disclosure other than bank required financial reporting
- New Proposition 218 rates must be in place to close the refunding
 - Transaction set to close on December 21 (after rate adoption)
- Staff and financing team recommends the Board approve the Installment Purchase Agreement by adopting the Resolution approving both the Installment Purchase Agreement and Escrow Agreement as to form

Questions and Discussion