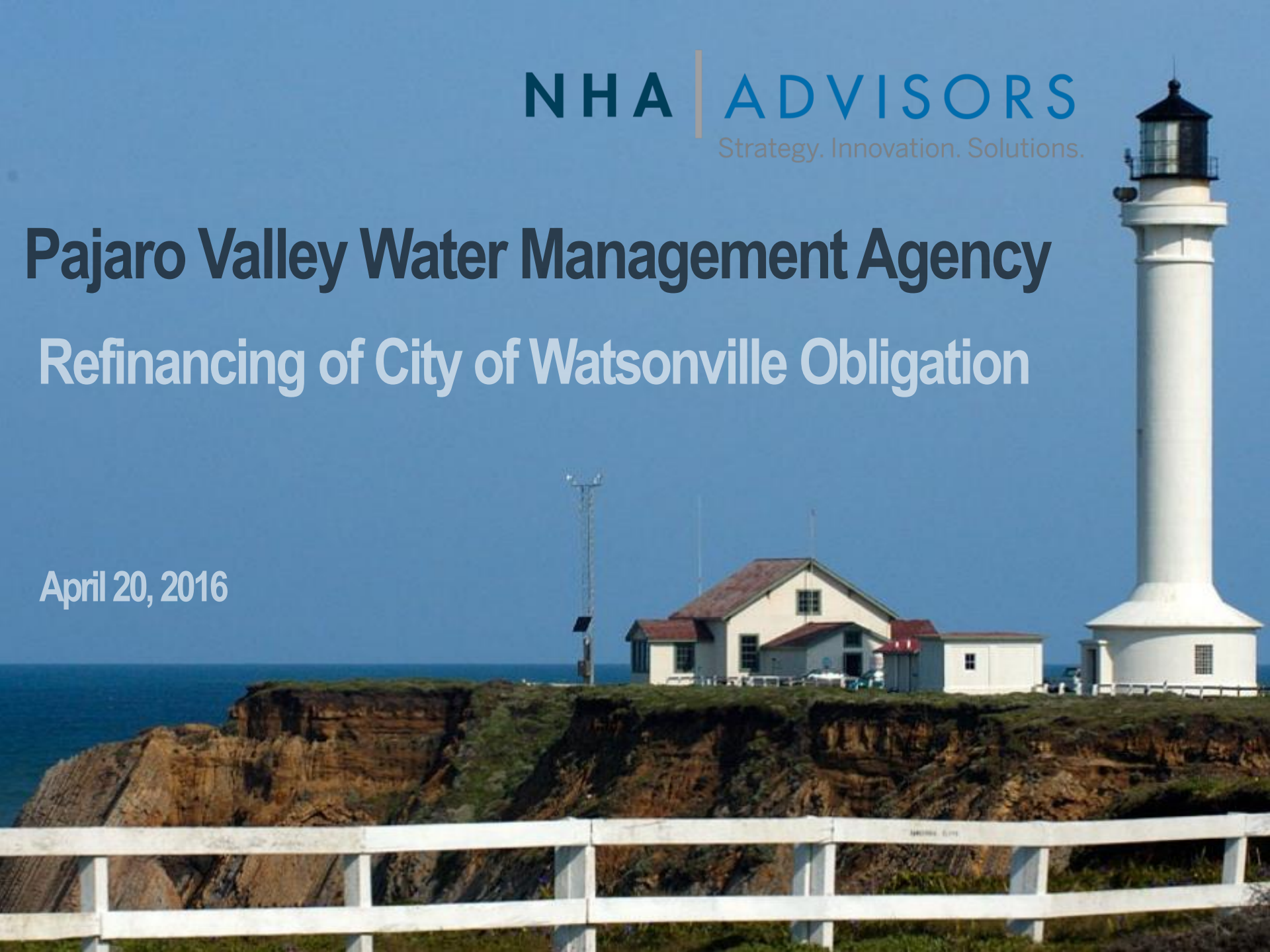


Pajaro Valley Water Management Agency

Refinancing of City of Watsonville Obligation

April 20, 2016



Discussion Points

- ▶ Background on Comprehensive Financing Plan
 - ▶ 2015 Rate Study and Approved Rates - Done
 - ▶ Refinancing of 1999 and SWRCB Obligations - Done
 - ▶ Refinancing of 2007 Watsonville Bond - Pending
- ▶ City of Watsonville Obligation
 - ▶ Terms of 2007 Bond
 - ▶ Refinancing Options
 - ▶ Projected Savings
- ▶ Process & Approvals

An aerial photograph of a rugged coastline. The image shows a long, narrow strip of land with steep, rocky cliffs on one side and a sandy beach on the other. The ocean is visible on both sides, with waves crashing against the rocks. In the distance, there are more hills and a bay. The overall tone is blue and grey, giving it a professional and serene appearance.

Background on Comprehensive Financing Plan

2015 PVWMA Board Actions

- ▶ Initiated Water Rate Study
- ▶ Approved New Rate Structure
 - ▶ Improved Financial Health of Agency
 - ▶ Allowed for Strong Credit for Refinancing
- ▶ Refinanced:
 - ▶ 1999 Bonds
 - ▶ 1999 & 2003 SWRCB Loans

Comprehensive Financing Plan

- ▶ Water Rate Study Assumed:
 - ▶ Refinancing of Existing Obligations
 - ▶ Did **NOT** assume an economic refinancing of City of Watsonville Bond
 - ▶ **DID** assume buy-down of COW Obligation with Grant Funds Held by City
 - ▶ **DID** Assumed COW Obligation Debt Service would change beginning in FY 2016/17

Pajaro Valley Water Management Agency
Projected Cash Flows and Coverage

	2014-15	2015-16	2016-17	2017-18	2018-19
Revenues¹					
Total Operating Revenues	11,578,106	12,153,224	12,732,775	13,340,404	13,978,456
Total Operating Expenses	6,204,153	6,636,105	7,014,697	7,467,069	7,693,930
Net Revenue Before Debt Service & Capital	5,373,953	5,517,119	5,718,078	5,873,335	6,284,527
Senior Debt Service					
1999 Certificates of Participation	1,379,738	-	-	-	-
1999 State Water Loan	755,473	-	-	-	-
2003 State Water Loan	410,199	-	-	-	-
2005 Department of Water Resources Loan	222,098	222,059	222,133	222,098	222,098
2015 Water Revenue Refunding Bonds ²	-	2,302,501	2,302,200	2,301,900	2,299,700
2016 Water Revenue Refunding Bonds	-	-	990,000	990,000	990,000
2016 State Water Loan ³	-	-	385,000	385,000	385,000
Total Senior Debt Service	2,767,507	2,524,560	3,899,333	3,898,998	3,896,798
Senior Coverage (1.10x Requirement)⁴	1.94x	2.19x	1.47x	1.51x	1.61x
Subordinate Debt Service					
2007 Water Revenue Bonds (Watsonville) ⁵	1,430,784	1,430,784	-	-	-

An aerial photograph of a rugged coastline. The image shows a prominent cliffside on the left that meets the ocean. A narrow strip of land or beach runs along the base of the cliff. In the background, there are more hills and a large body of water, possibly a bay or a wide river mouth. The sky is overcast and grey. The overall tone of the image is muted and professional.

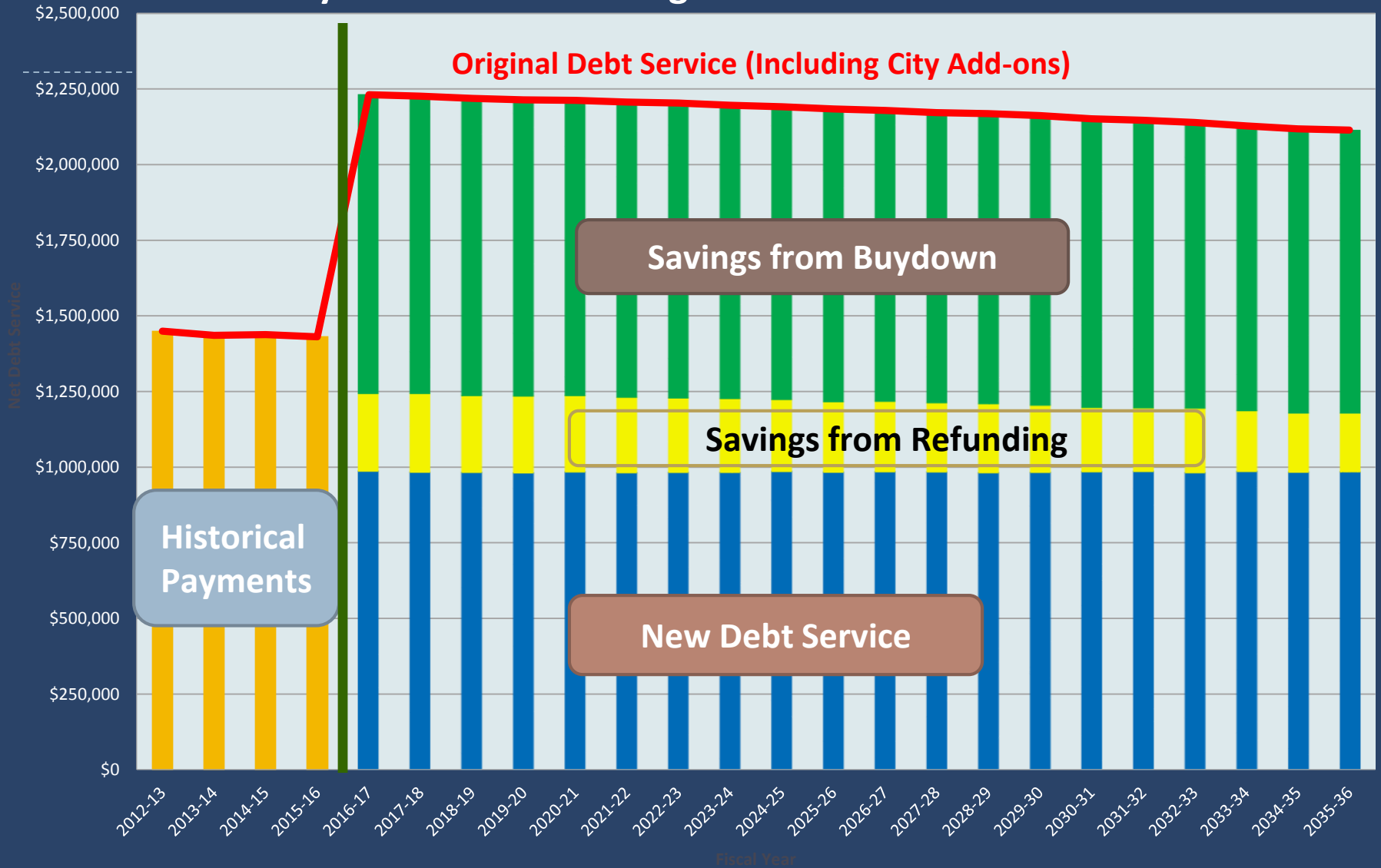
City of Watsonville Obligation

City of Watsonville

- ▶ 2007 Water Revenue Bonds
- ▶ Interest-Only from FY 2007/08 – FY 2015/16 (\$1,300,000)
- ▶ Payments Increase from FY 2016/17 – FY 2036/37 (\$2,100,000)
- ▶ Ability to Refinance Effective May 15, 2016

- ▶ City Holding ~\$11,000,000 in reimbursement funds that will be used to pay-down portion of 2007 Water Revenue Bonds before PVWMA refinances balance of bonds

Pajaro Valley Water Management Agency Buydown and Refunding of 2007 Watsonville Debt



An aerial photograph of a rugged coastline. The image shows a long, narrow strip of land with steep, rocky cliffs on one side and a sandy beach on the other. The ocean is visible on both sides of the land strip. The sky is overcast and grey. The overall tone of the image is muted and professional.

Process & Approvals

Restructuring Process

- ▶ Staff Working with NHA Advisors (Municipal Advisor), Jones Hall (Bond Counsel) and Hilltop Securities (Underwriter) to develop financing plan
- ▶ Board will have option to approve financing resolution and documentation at May 2016 Board Meeting
- ▶ Financing Team will complete credit review and rating update report with Staff
- ▶ Financing Completion Date – June 2016
- ▶ COW Bonds Paid Off – July 2016
- ▶ New Lower Debt Service Begins FY 2016/17