



Santa Clara Valley Water District Public Facilities Financing Corporation Meeting

Teleconference Zoom Meeting
5700 Almaden Expressway
San Jose, CA 95118

ANNUAL MEETING AGENDA

**Monday, November 9, 2020
2:30 PM**

District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.

**PUBLIC FACILITIES FINANCE
CORPORATION**

Members:
David Vanni, President
Steve M. Mullen, Vice President
Dean Chu
Spenser Horowitz
Carolyn M. Bauer

All public records relating to an item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the Office of the Clerk of the Board at the Santa Clara Valley Water District Headquarters Building, 5700 Almaden Expressway, San Jose, CA 95118, at the same time that the public records are distributed or made available to the legislative body. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to attend PFFC Board of Directors' meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

NOTE: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.

**Santa Clara Valley Water District
Public Facilities Financing Corporation
ANNUAL MEETING
AGENDA**

Monday, November 9, 2020

2:30 PM

Teleconference Zoom Meeting

IMPORTANT NOTICES

This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20 issued on March 17, 2020 that allows attendance by members of the Committee, staff, and the public to participate and conduct the meeting by teleconference, videoconference, or both.

Members of the public wishing to address the Committee during a video conferenced meeting on an item not listed on the agenda, or any item listed on the agenda, should use the "Raise Hand" or "Chat" tools located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in the order requests are received and granted speaking access to address the Committee.

Santa Clara Valley Water District (Valley Water) in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in Valley Water Committee meetings to please contact the Clerk of the Board's office at (408) 630-2711, at least 3 business days before the scheduled meeting to ensure that Valley Water may assist you.

This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has not been prepared with a view to informing an investment decision in any of Valley Water's bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water's bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures and Valley Water's Investor Relations website, maintained on the World Wide Web at <https://emma.msrb.org/> and <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>, respectively.

Join Zoom Meeting
<https://valleywater.zoom.us/j/92926344973>

Meeting ID: 929 2634 4973
One tap mobile
+16699009128,,92926344973# US (San Jose)

Dial by your location
+1 669 900 9128 US (San Jose)
Meeting ID: 929 2634 4973

1. Roll Call.

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA.

Notice to the Public: Members of the public who wish to address the Committee on any item not listed on the agenda should access the "Raise Hand" or "Chat" tools located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in order requests are received and granted speaking access to address the Committee. Speakers comments should be limited to three minutes or as set by the Chair. The law does not permit Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:

3.1. Approval of Minutes.

[20-0975](#)

Recommendation: **RECOMMENDATION:**

Approve the August 19, 2020, Minutes.

Attachments: [Attachment 1: August 19, 2020, Minutes](#)

4. INFORMATION ITEMS:

4.1. Results of Recently Closed Financings.

[20-0976](#)

Recommendation: **RECOMMENDATION:**

Receive and discuss updates on the two financings approved by the Santa Clara Valley Water District Public Facilities Financing Corporation in calendar year 2020.

Attachments: [Attachment 1: Investor Presentation.pdf](#)
[Attachment 2: District Board Memo.pdf](#)

5. **OTHER BUSINESS**


6. **ADJOURN**



Santa Clara Valley Water District

File No.: 20-0975

Agenda Date: 11/9/2020
Item No.: 3.1.



Valley Water
SANTA CLARA VALLEY WATER DISTRICT

SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION

Meeting Date:	11/9/20
Item No.	3.1.
Unclassified Manager:	Michele King

SUBJECT:

Approval of Minutes.

RECOMMENDATION:

Approve the August 19, 2020, Minutes.

SUMMARY:

A summary of Public Facilities Financing Corporation (PFFC) discussions, and details of all actions taken during all open and public meetings is transcribed and submitted for review and approval.

Upon approval, minutes transcripts are finalized and entered into the District's historical records archives and serve as historical records of the PFFC meetings.

ATTACHMENTS:

Attachment 1: August 19, 2020, Minutes

DRAFT MINUTES
SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION
August 19, 2020

(Paragraph numbers coincide with agenda item numbers)

A Special Meeting of the Santa Clara Valley Water District Public Facilities Financing Corporation (PFFC) was held at 1:00 p.m. on August 19, 2020, via a teleconference in compliance with COVID-19 Shelter in Place Orders.

1.1 Roll Call: PFFC Board of Director members in attendance via teleconference were Carolyn Bauer, Spencer Horowitz, Steve Mullen, and David Vanni, constituting a quorum. Director Dean Chu was absent.

PFFC Corporate Officer present: Michele King, Corporate Secretary.

Santa Clara Valley Water District Board of Directors Present: Board Chair Nai Hsueh.

District staff present: Darin Taylor, Chief Financial Officer; Tina Yoke, Chief Operating Officer, Administration and IT; Brian Hopper, Senior Assistant District Counsel; Charlene Sun, Treasury and Debt Officer; and Steve Peters, Senior Management Analyst.

Outside Counsel Present: Mr. Doug Brown, Bond Counsel, Stradling, Yocca Carlson and Rauth, and Mr. Ed Soong, Public Resources Advisory Group.

2.1 Time Open for Public Comment on Any Subject Not on the Agenda: There was no one present who wished to speak.

3.1 Approval of Minutes of April 17, 2020 PFFC Meeting. It was moved by Director Horowitz, seconded by Director Mullen, and carried, that the April 17, 2020, minutes be approved as presented.

4.1 Adopt Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation Authorizing the Execution and Delivery of Not to Exceed \$155 Million Revenue Certificates of Participation, Approving the Execution and Delivery of Certain Documents, and Authorizing Certain Acts in Connection Therewith: Mr. Steve Peters, Senior Management Analyst, Treasury-Debt Management Unit, reviewed the information on this item per the attached Agenda Memorandum. Ms. Charlene Sun, Treasury and Debt Manager and Mr. Doug Brown, Bound Counsel answered questions presented by the Directors.

It was moved by Director Horowitz, seconded by Director Bauer, and approved by roll call vote, to adopt Resolution 20-02 *AUTHORIZING THE EXECUTION AND DELIVERY OF NOT TO EXCEED \$155 MILLION REVENUE CERTIFICATES OF PARTICIPATION, APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS, AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH*, and to Authorize and direct the President, Vice President, Secretary, and such other officers of the Santa Clara Valley Water District Public Facilities Financing Corporation, acting singly, to do any and all things, and to execute and deliver any and all documents, which such officers may deem necessary or advisable in order to consummate the sale and delivery of the Revenue Certificates of Participation.

Ayes: C. Bauer, S. Horowitz, S. Mullen, D. Vanni
Noes: None
Abstain: D. Chu.
Absent: None.

4. Adjourn: The meeting was adjourned at approximately 1:20 p.m.


Michele L. King, CMC
Corporate Secretary, PFFC



Santa Clara Valley Water District

File No.: 20-0976

Agenda Date: 11/9/2020
Item No.: 4.1.



Valley Water
SANTA CLARA VALLEY WATER DISTRICT

SANTA CLARA VALLEY WATER DISTRICT PUBLIC FACILITIES FINANCING CORPORATION

Meeting Date:	11/9/20
Item No.	4.1.
Unclassified Manager:	Darin Taylor

SUBJECT:

Results of Recently Closed Financings.

RECOMMENDATION:

Receive and discuss updates on the two financings approved by the Santa Clara Valley Water District Public Facilities Financing Corporation in calendar year 2020.

SUMMARY:

The board of directors of the Santa Clara Valley Water District Public Facilities Financing Corporation (the “Board” of the “Corporation”) authorized two financings by the Santa Clara Valley Water District (“Valley Water” or the “District”) in calendar year 2020. On April 17, 2020, the Board authorized the solicitation, negotiation and execution of one or more lines of credit to supplement Valley Water’s commercial paper program as a readily accessible interim funding source for Valley Water’s on-going capital costs. On August 19, 2020, the Board authorized the execution of up to \$155 million of revenue certificates of participation to finance the acquisition of capital improvements for Valley Water’s water utility system. The District board of directors (the “District Board”) subsequently

authorized these financings, too.

2020 Water Utility Debt Obligations

On October 14, 2020, Valley Water closed on the issuance of fixed-rate, long-term debt obligations to finance capital improvement costs for the water utility system.

Revenue bonds were used to repay commercial paper (“CP”) that was issued as interim financing for previously incurred capital costs (Water System Refunding Revenue Bonds, Series 2020A/B) (the “Bonds”). Revenue certificates of participation were issued to acquire and construct capital improvements over the next 1-2 years (Revenue Certificates of Participation, Water Utility System Improvement Projects, Series 2020C/D) (the “COPs”). Valley Water received ‘AA+’ and ‘Aa1’ credit ratings from Fitch and Moody’s, respectively, on the debt obligations. The sources and uses of the debt obligations, and some additional information can be found below:

	2020A Bonds	2020B Bonds	2020C COPs	2020D COPs	Total
Tax Status:	Tax-Exempt	Taxable	Tax-Exempt	Taxable	
<u>Sources/Uses</u>					
<u>Sources</u>					
Principal Amount	\$ 24,120,000	\$ 68,530,000	\$ 41,765,000	\$ 81,560,000	\$ 215,975,000
Premium	<u>6,944,534</u>	-	<u>12,572,102</u>	-	<u>19,516,636</u>
Total	<u>\$ 31,064,534</u>	<u>\$ 68,530,000</u>	<u>\$ 54,337,102</u>	<u>\$ 81,560,000</u>	<u>\$ 235,491,636</u>
<u>Uses</u>					
Repay Commercial Paper	\$ 30,985,000	\$ 68,310,000	\$ -	\$ -	\$ 99,295,000
Construction Funds	-	-	54,200,000	81,300,000	135,500,000
Costs of Issuance	48,350	131,400	83,105	154,554	417,409
Underwriters’ Discount	<u>31,184</u>	<u>88,600</u>	<u>53,997</u>	<u>105,446</u>	<u>279,227</u>
Total	<u>\$ 31,064,534</u>	<u>\$ 68,530,000</u>	<u>\$ 54,337,102</u>	<u>\$ 81,560,000</u>	<u>\$ 235,491,636</u>
<u>Debt Information</u>					
Final Maturity Date (June 1)	2050	2050	2041	2041	
Optional Call Date (June 1)	2030	2030	2030	2030	
All-In True Interest Cost	3.33%	2.98%	2.07%	2.20%	2.69%

For additional information on the transaction, including a summary of information that was provided in the preliminary official statement offering memorandum provided to potential investors, see the investor presentation attached (Attachment 1).

Revolving Lines of Credit

On October 30, 2020, Valley Water closed on a \$170 million syndicated revolving line of credit with U.S. Bank and three small local community banks. U.S. Bank is the lead bank and will act as the agent to administer the syndicated loan with the following credit allocations: (1) U.S. Bank - \$150

million; (2) Bank of San Francisco - \$7 million; (3) Community Bank of the Bay - \$5 million; and (4) First Foundation Bank - \$8 million. The line of credit has a three-year term ending October 27, 2023, with renewal options pursuant to Board Resolution 20-11 adopted by the Valley Water Board on April 28, 2020. The estimated true interest cost of the credit facility is between 0.574% - 1.557%, or between \$0.9 to \$2.4 million per year depending on the amount and timing of any draws and future market conditions. This credit facility ensures that Valley Water will have ample liquidity to continue funding ongoing capital projects and meet general financing needs despite the economic uncertainties related to the ongoing COVID-19 pandemic.

For additional information on the line of credit, including the solicitation of the line of credit and the District Board's direction to (a) conduct additional research on the environmental, social and governance (ESG) policies of the proposing banks and (b) reserve \$20 million of the credit capacity for small, local banks with headquarters located in California and a branch(es) in Santa Clara County, see the supplemental District Board memo, and its supplemental attachments regarding the best and final lead bank proposals and outreach to small banks, attached (Attachment 2).

ATTACHMENTS:

Attachment 1: Investor Presentation
Attachment 2: District Board Memo



SANTA CLARA VALLEY WATER DISTRICT

Water System Refunding Revenue Bonds
Series 2020A & Taxable Series 2020B

Revenue Certificates of Participation (Water Utility System Improvement Projects)
Series 2020C & Taxable Series 2020D

Investor Presentation
September 23, 2020

Disclaimer

This investor presentation that you are about to view is provided as of September 23, 2020 for a proposed offering by the Santa Clara Valley Water District (the “District” or “Valley Water”) of Water System Refunding Revenue Bonds, Series 2020A and Taxable Series 2020B (the “2020 Bonds”) and Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2020C and Taxable Series 2020D (the “2020 Certificates”). This presentation has been prepared for information purposes only and for your sole and exclusive use in connection with the proposed transaction. The information contained herein is subject to completion and amendment. Any offer or solicitation with respect to the Bonds and the 2020 Certificates will be made by means of a final official statement. If you are viewing this investor presentation after the date stated above, events may have occurred that have a material adverse effect on the financial information presented herein, and neither the District nor Siebert Williams Shank & Co., LLC, Alamo Capital, or Piper Sandler & Co. (collectively, the “Underwriters”) have undertaken any obligation to update this presentation.

The information contained in this communication is supplemental to the information contained in the preliminary official statement with respect to the referenced municipal securities and does not purport to be comprehensive or definitive. All statements contained herein are qualified in their entirety by reference to the information, including any disclaimers set forth therein, contained in the preliminary official statement provided to the recipient of this information, and the “deemed final” official statement to be delivered to potential investors and the recipient of this information in connection with the offering of the municipal securities described herein. Any potential investor should review the preliminary official statement in its entirety in conjunction with these materials. The preliminary official statement can be obtained electronically at: www.Munios.com.

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None of the District or the Underwriters make any representations or warranties as to the (i) accuracy, adequacy or completeness of any information in this investor presentation or (ii) legal, tax or accounting treatment of any purchase of the Bonds by you or any other effects such purchase may have on you and your affiliates.

This investor presentation contains “forward-looking” statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results may differ materially from those expressed or implied by such forward-looking statements. Accordingly, we caution you not to place undue reliance on these statements. All statements other than the statements of historical fact could be deemed forward-looking. All opinions, estimates, projections, forecasts and valuations are preliminary, indicative and are subject to change without notice. This information is provided “as is” and for discussion purposes only. None of the District or the Underwriters make any representations or warranties as to the accuracy, adequacy, completeness or appropriateness for any particular purpose of any information presented and expressly disclaims liability for any errors and omissions therein and for any damages whatsoever whether arising out of or in connection with your use of, reliance upon, or acting or forbearing to act upon, any information provided. This paragraph shall apply to the extent permitted by law.

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THE PRINTING, DUPLICATING, DOWNLOADING, SCREEN CAPTURING, ELECTRONIC STORING, RECORDING, PUBLISHING OR DISTRIBUTING OF THIS INVESTOR PRESENTATION IN ANY MANNER IS STRICTLY PROHIBITED.

By viewing this investor presentation you acknowledge that you understand and agree to the provisions set forth above.

Transaction Overview

Issuer:	Santa Clara Valley Water District	
Ratings (Moody's/Fitch):	Aa1 / AA+	
Issue Description:	2020 Water System Refunding Revenue Bonds ("2020 Bonds")	2020 Revenue Certificates of Participation ("2020 Certificates")
Par Amount/Tax Status:	\$23,985,000* tax-exempt Series 2020A \$73,430,000* taxable Series 2020B	\$41,265,000* tax-exempt Series 2020C \$81,565,000* taxable Series 2020D
Use of Proceeds:	Refund outstanding Commercial Paper issued to finance capital projects for the Water Utility System	Finance capital projects for the Water Utility System
Security:	<ul style="list-style-type: none"> Secured by Net Revenues of the Water Enterprise Fund after payment of Senior Bonds (closed lien), \$17.3 million total outstanding Issued on parity with 2020 Certificates and debt under the Parity Master Resolution, \$440.7 million total outstanding 	<ul style="list-style-type: none"> Installment Payments secured by Net Revenues of the Water Enterprise Fund after payment of Senior Bonds Issued on parity with the 2020 Bonds and debt under the Parity Master Resolution, \$440.7 million total outstanding
Structure:	Series A: Fixed Rate Bonds maturing 2041 – 2050* Series B: Fixed Rate Bonds maturing 2041 – 2050*	Series C: Fixed Rate Bonds maturing 2022 – 2041* Series D: Fixed Rate Bonds maturing 2022 – 2041*
Principal Due:	June 1	
Interest Payment Dates:	June 1 and December 1, commencing December 1, 2020*	
Optional Call Structure:	Subject to optional redemption at a redemption price of 100% on or after June 1, 2030*; make-whole call prior to June 1, 2030*	
Pricing Date:	Wednesday, September 30, 2020*	
Closing Date:	Wednesday, October 14, 2020*	
Senior Manager:	Siebert Williams Shank & Co., LLC	
Co-Managers:	Alamo Capital, Piper Sandler & Co.	

Valley Water Overview

- **Santa Clara Valley Water District**

- Supplies water and provides flood protection services for all of Santa Clara County (“County”)
- Largest multi-purpose water supply, watershed stewardship and flood management district in California
- Service area includes approximately 1,330 square miles, most of “Silicon Valley”

- **Resilient regional economy**

- The County’s 2014-18 median household income was 188% of the Nation’s
- Largest employers include Apple, Google, Stanford, and Cisco
- As COVID-19 has disrupted the economy nationally, the County’s unemployment rate was estimated at 7.5% for August 2020, compared to the State’s unemployment rate of 11.4%; unemployment rates in the County in February and March were 2.6% and 3.4% respectively



- **Strong financial management and healthy financial metrics**

- Annual budget and rate setting with demonstrated willingness to raise rates
- Significant fund balances with 607 days cash on hand for FY 2019
- Low debt burden
- Diverse water sources - both local and imported supplies
- Customer base includes 7 retailers serving nearly 2 million people
 - Long term contracts for water purchases for predominantly residential end-uses
- Robust historic and projected debt service coverage
 - All-in Coverage exceeding 3.1x from FY 2016 through FY 2020 and projected to exceed 2.2x through FY 2024
- Annual contributions to OPEB trust since 2008 resulting in \$107.5 million of funded assets (59.5% funded) as of 6/30/2019

Response to COVID-19

- **Operations and Water Supply**

- Currently, COVID-19 is not impacting Valley Water’s ability to supply safe, clean water to the County community, and protect residents and businesses from flooding
- Critical operations are continuing in support of Valley Water’s core mission while maintaining safe working environments by enforcing all public health protocols

- **Water Charges**

- To mitigate the impact of the COVID-19 pandemic on the communities within Valley Water’s service area:
 - The Board did not adopt any increases to groundwater production and other water charges for FY 2020-21
 - The Board did adopt certain rate decreases, but Valley Water expects that the currently approved rates and charges for FY 2020-21 will produce Current Water Utility System Revenues and Net Water Utility System Revenues as required to satisfy the rate covenants
 - ◆ The water sales revenue projection of \$291 million for FY 2020-21 presented in the 2020 PAWS Report has been reduced to \$261 million, which is a 1.2% increase from the unaudited FY 2019-20 revenues
 - On September 22, 2020, the Board decided to not pursue a mid-year rate increase for Fiscal Year 2020-21. The Board could decide to take other actions in Fiscal Year 2020-21 to address the budgetary impact of the rate action for FY 2020-21; possible actions include:
 - 1) Postponement of certain capital expenditures or reductions to operating and capital budget
 - 2) Larger rate increases in FY 2021-22 and beyond to recoup revenue

Water Supply Infrastructure

Water supply system includes storage, conveyance, recharge, treatment and distribution facilities

District map
Water Supply Distribution



Overview⁽¹⁾
10 reservoirs
3 pump stations
142 miles of pipelines
3 water treatment plants
393 acres of recharge ponds
275 miles of jurisdictional streams

Legend

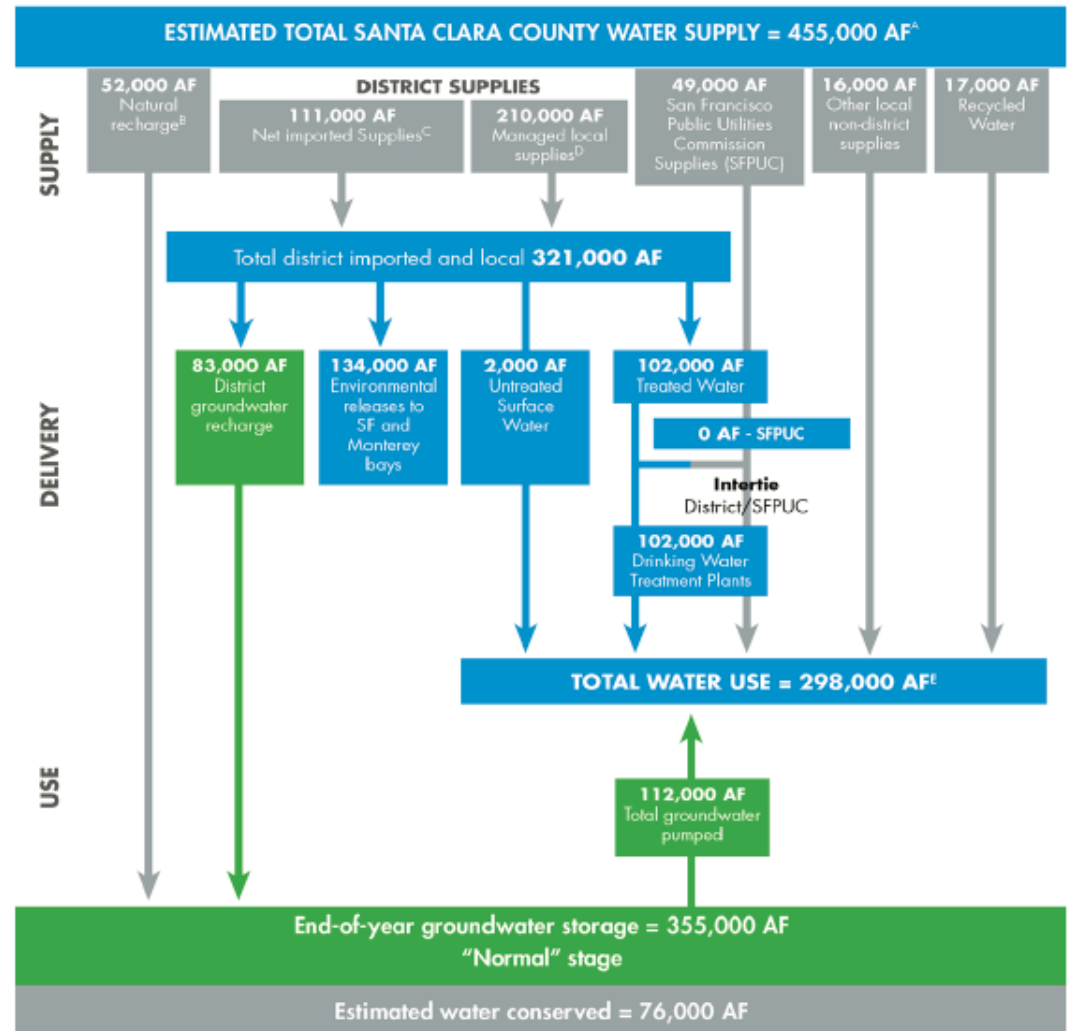
- Lakes, reservoirs, rivers, creeks, & bays
- Raw water pipeline
- Drinking water pipeline
- Pump Plants
 - Vasona
 - Coyote
 - Pacheco
- Drinking Water Treatment Plants
 - Rinconada
 - Santa Teresa
 - Penitencia
- Silicon Valley Advanced Water Purification Center
- Anderson Hydroelectric Facility
- Local wastewater treatment plant and recycled water provider
 - Palo Alto
 - Sunnyvale
 - San Jose-Santa Clara
 - South County
- Recharge Ponds

⁽¹⁾ From 2021-25 Five-Year Capital Improvement Program
Source: Valley Water.

Diverse County Water Supply

- **Primary water sources**
 - Local natural recharge groundwater
 - Local surface water reservoirs
 - Imported through the State Water Project (SWP)
 - Imported through the Central Valley Project (CVP) and the San Francisco Public Utilities Commission (SFPUC)
 - Local production of recycled water
- **Storage options balance supply and demand**
 - Reservoirs conserve winter runoff for either managed groundwater recharge or treatment
 - Groundwater basin recharges store water locally and protect against drought or emergency outages
 - The difference in annual water supply sources versus deliveries is met by groundwater basin drawdown

Calendar Year 2019⁽¹⁾



^A Includes net district and non-district surface water supplies and estimated rainfall recharge to groundwater basins.

^B Natural recharge - Groundwater recharge not controlled by Valley Water, including rainfall and other natural seepage, irrigation return flows, and leakage from water systems, storm drains, and sewer/septic systems.

^C Net imported supplies - Surface water imported from the Sacramento-San Joaquin Delta that is used to replenish groundwater or to supply water treatment plants and surface water users in Santa Clara County. This excludes water transferred into the Semitropic Water Bank in Kern County and imported water stored (i.e., carried over) for future use.

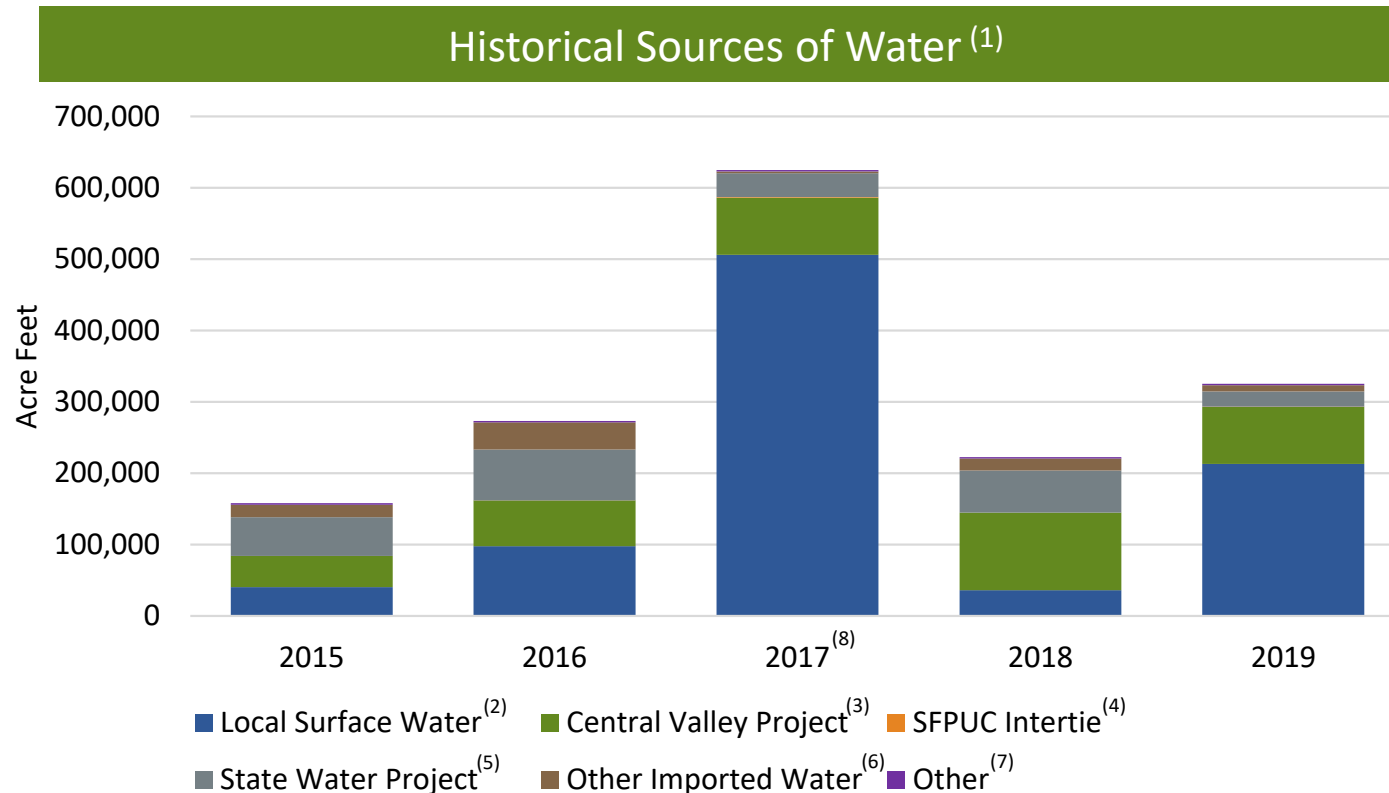
^D Managed local supplies - Watershed rainfall/runoff captured in local reservoirs or previously stored local water that is used to replenish groundwater or to supply water treatment plants and surface water users in Santa Clara County. This excludes estimated evaporation and local supplies stored for future use.

^E Includes municipal, industrial, agricultural and domestic uses.

⁽¹⁾ From PAWS Report as of February 28, 2020. Water volume data, including historical, is fine-tuned and updated as information becomes available from various data sources; please see Preliminary Official Statement for the latest information. Source: Valley Water.

Water Supply

- Valley Water currently benefits from a diverse water supply including local surface supplies and groundwater, SWP and CVP imported water contracts, banking operations, and recycled water



⁽¹⁾ Certain amounts reflect adjustments made subsequent to the relevant year.

⁽²⁾ Reservoir inflows plus supplies from storage, which may include flood releases, spills, and flows to the environment that may not be used for water supply within the County.

⁽³⁾ All CVP contract water is delivered through the South Bay Aqueduct and San Felipe Division in the County.

⁽⁴⁾ Reflects the net difference between SFPUC water taken less water provided to SFPUC via the intertie.

⁽⁵⁾ All SWP contract water is delivered through the South Bay Aqueduct and San Felipe Division in the County.

⁽⁶⁾ Includes all non-contract water (CVP, SWP, and non-project water transfers and exchanges) delivered through the South Bay Aqueduct and San Felipe Division.

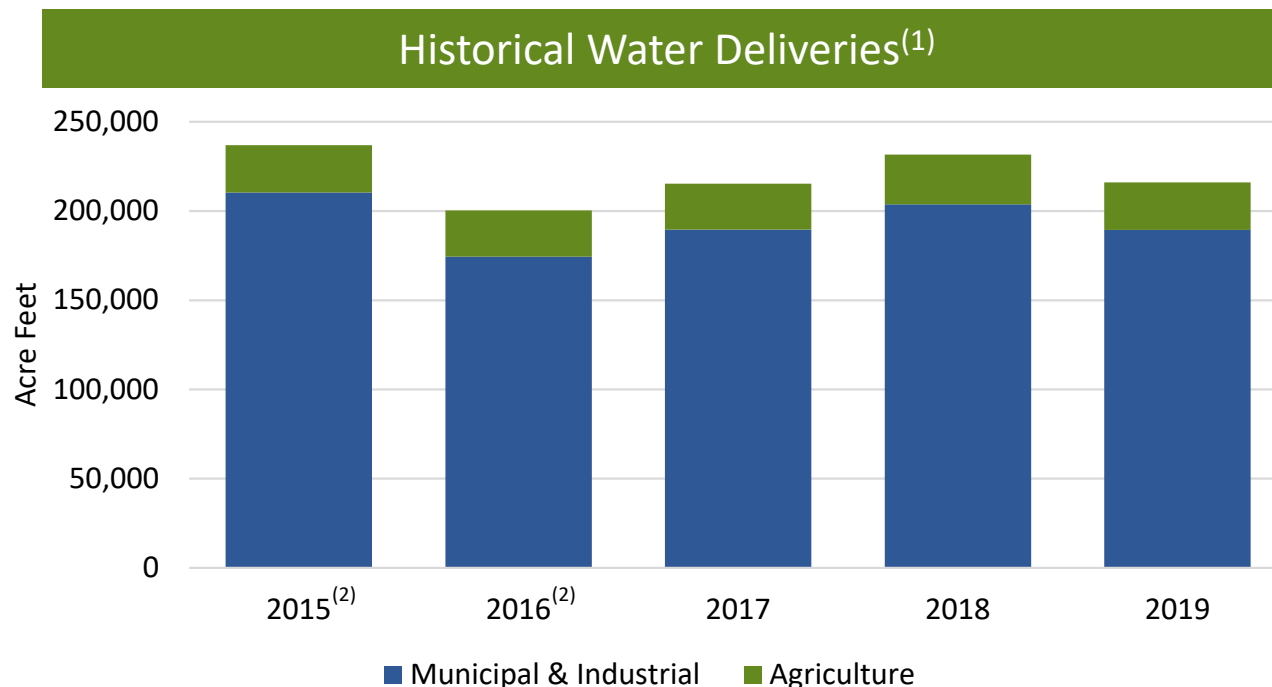
⁽⁷⁾ Includes recycled water produced by South County Regional Wastewater Authority.

⁽⁸⁾ Calendar year 2017 was one of the wettest hydrological years on record, which resulted in substantially increased local surface water inflows. Local surface water has been adjusted to reflect updated modeling assumptions. Valley Water estimates that approximately 400,000 acre-feet of supplies was released to the environment or flowed to the San Francisco Bay.

Source: Valley Water.

Water Deliveries, Drought Management and Conservation

- **A Statewide drought and the State’s mandatory conservation standards resulted in a 30% reduction in water deliveries from 2014 to 2016; usage has moderated since then**
 - During the drought, Valley Water and the State established aggressive conservation goals
 - In May 2018, Governor Brown established Statewide water efficiency standards to further increase conservation efforts
 - Valley Water projects that it will be able to meet existing demands for at least the next three years even if dry conditions return and is currently calling for a voluntary 20% water use reduction



⁽¹⁾ Certain amounts reflect adjustments made subsequent to the relevant year.

⁽²⁾ Decrease primarily a result of State and locally mandated reductions in water use in response to drought conditions.

Source: Valley Water.

Water Storage Reservoirs

- **The total storage capacity of Valley Water reservoirs is about 170,000 acre-feet**
 - Capacity is about 62,000 acre-feet with Department of Safety of Dams (DSOD) restrictions

Reservoir	Capacity (acre-feet)	DSOD Restricted Capacity (acre-feet)	Year Completed	Surface Area at Capacity (acres)	Approximate Dam Height (feet)
Almaden	1,555	1,443	1935	58	105
Anderson**	89,278	2,820	1950	1,253	240
Calero	9,738	4,414	1935	346	98
Chesbro*	7,967	7,967	1955	271	95
Coyote	22,541	11,843	1936	633	138
Guadalupe	3,320	2,134	1935	73	129
Lexington*	18,534	18,534	1952	409	195
Stevens Creek*	3,056	3,056	1935	90	120
Uvas*	9,688	9,688	1957	287	118
Vasona*	463	463	1935	52	30
Total	166,140	62,362		3,472	

- **Additionally, Valley Water has rights to 350,000 acre-feet of groundwater banking capacity in the Semitropic Water Storage District**
 - As of December 31, 2019, Valley Water had approximately 350,000 acre-feet of water stored in this account

Sources: Area-capacity surveys were performed in 2016 for Anderson, Calero, Coyote, and Stevens Creek reservoirs. Chesbro and Uvas reservoirs were surveyed in 2017. Almaden and Guadalupe reservoirs were surveyed in 2019. Lexington and Vasona reservoirs were surveyed in 2018. Capacities and surface areas above reflect most current survey results.

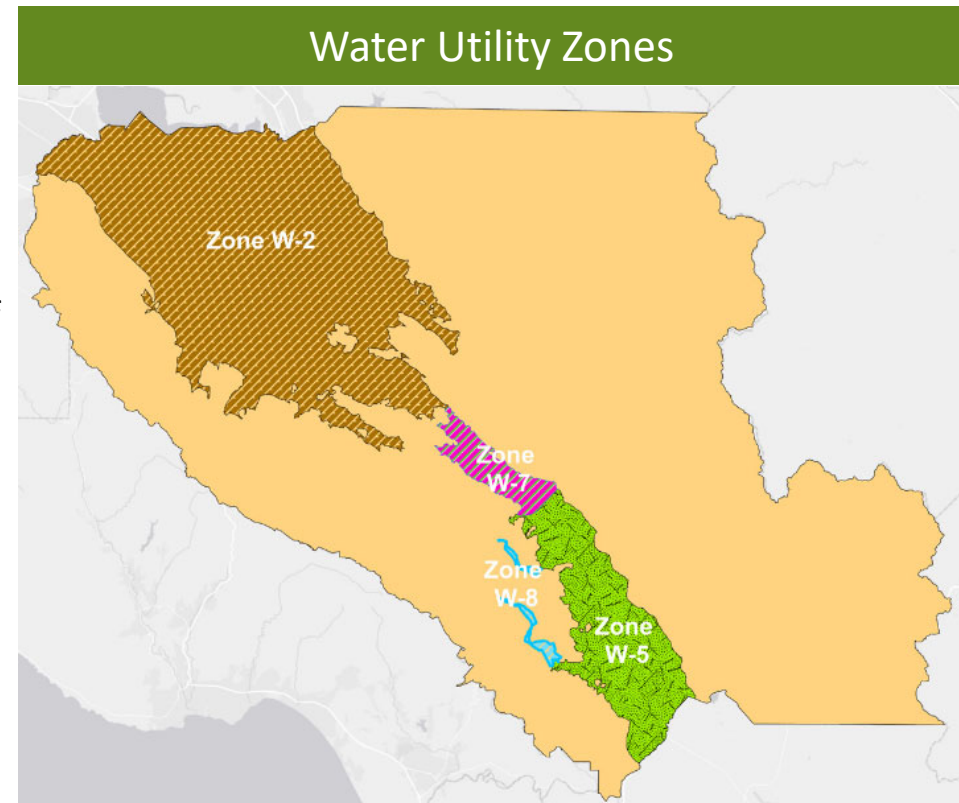
*Indicates no DSOD restriction is applicable to reservoir.

** Pursuant to the FERC Directive, Anderson Reservoir is required to be lowered to 488 feet starting on October 1, 2020.

Source: Valley Water.

Groundwater Basins

- **Valley Water has two primary groundwater basins**
 - Zone W-2 includes the northern area of the County and largely coincides with the Santa Clara Plain portion of the Santa Clara Groundwater Subbasin
 - Effective July 1, 2020, Zone W-5 (southern area of the County) was partitioned into three zones:
 - Zone W-5 , approximately coincides with valley floor of Llagas Subbasin
 - Zone W-7, Coyote Valley and southern portion of Santa Clara Subbasin
 - Zone W-8, upland areas of Llagas Subbasin
- **Valley Water levies a groundwater charge**
 - Based on production of water from groundwater supplies in the zone that will benefit from recharge of groundwater or distribution of imported water in the zone
 - Groundwater charges are higher in Zone W-2 because it includes three water treatment plants and most of the distribution system
 - The other zones depend solely on groundwater and recycled water



Customer Base

- **Valley Water delivers treated water to 7 retailers pursuant to long term contracts** (shown in bold in the table below)
 - Treated water delivery contracts provide for certain fixed or minimum deliveries at a treated water surcharge, set annually by the Board
 - These contracts are long term (70 years in effect until 2051-2054) with a 90% take or pay provision

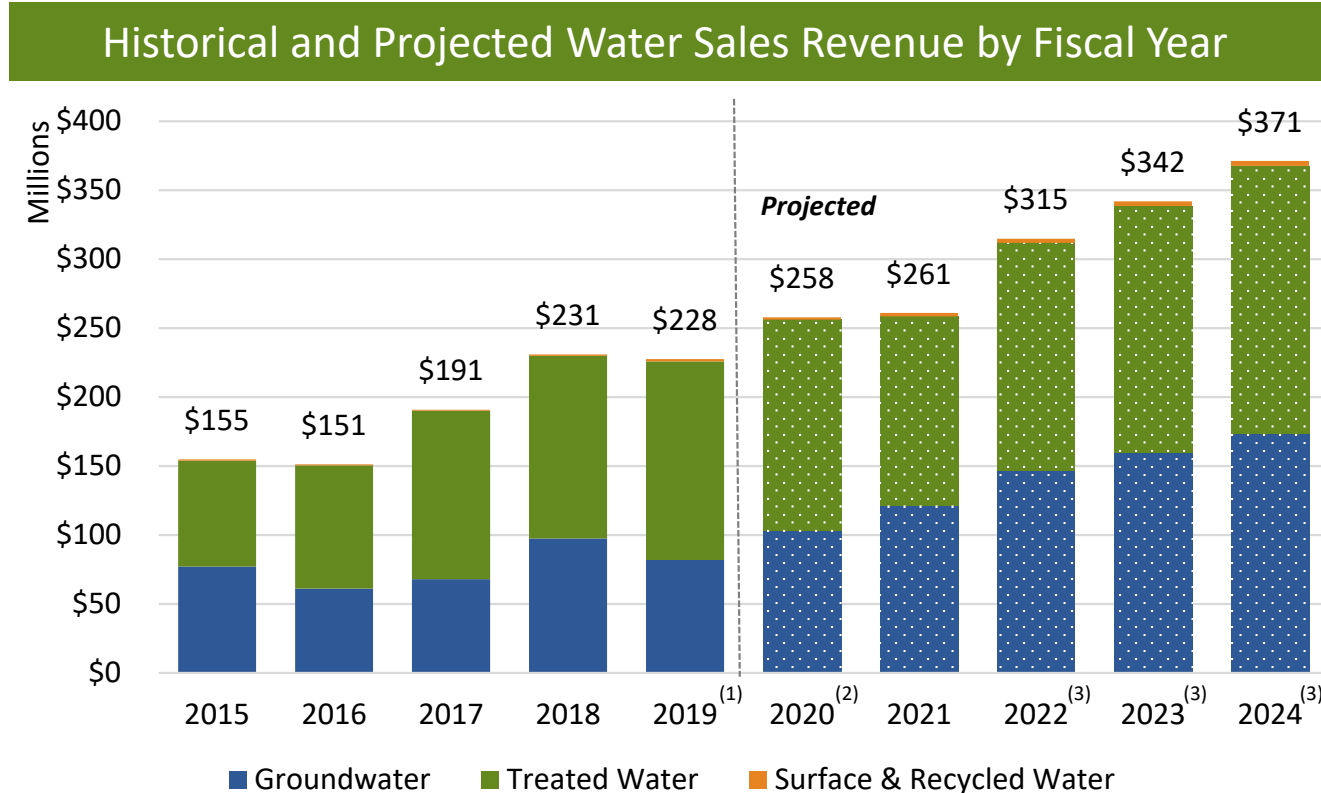
Treated Water and Groundwater Usage (Acre-Feet) ⁽¹⁾ and FY 2018-19 Revenues								
Water Retailers	Fiscal Year 2017-18			Fiscal Year 2018-19				
	Groundwater	Treated Water	Total	Groundwater	Treated Water	Total	Total (\$)	% of Total
San Jose Water Company	41,121	65,354	106,475	31,783	64,949	96,732	\$131,065,014	58%
Santa Clara, City of	12,134	4,525	16,659	9,922	4,514	14,436	19,468,822	9%
California Water Service	5,096	7,256	12,352	3,558	8,363	11,921	16,199,265	7%
San Jose, City of	550	11,630	12,180	918	11,011	11,929	16,190,090	7%
Great Oaks Water Co.	10,248	-	10,248	10,208	-	10,208	8,835,331	4%
Sunnyvale, City of	112	8,537	8,649	93	8,174	8,267	11,473,029	5%
Gilroy, City of	7,883	-	7,883	7,624	-	7,624	3,430,944	2%
Morgan Hill, City of	7,071	-	7,071	6,421	-	6,421	2,889,509	1%
Milpitas, City of	-	3,165	3,165	-	3,208	3,208	4,456,190	2%
Cupertino, City of*	141	2,452	2,593	68	1,022	1,090	3,464,686	2%
Mountain View City of	115	984	1,099	242	2,432	2,674	1,731,869	1%
West San Martin Water Co.	352	-	352	339	-	339	152,415	0%
New Avenue Mutual Water	10	-	10	72	-	72	32,279	0%
Subtotals Water Retailers	84,833	103,903	188,736	71,247	103,673	174,919	219,389,442	97%
Other Groundwater Revenue Accounts	40,270	-	40,270	38,047	-	38,047	6,531,466	3%
Total	125,103	103,903	229,006	109,293	103,673	212,966	225,920,908	100%

*Treated Water managed by San Jose Water Company

⁽¹⁾ Certain amounts reflect adjustments made subsequent to the relevant year.
Source: Valley Water.

Water Sales Revenue

- **Recovering water deliveries and rate increases have increased water sales revenue 51% from FY 2016 to FY 2019**
 - Future revenues are projected to increase based on expected rate increases and modest usage increases
 - Due to the rate decreases in response to COVID-19, the revenue projection of \$291 million in the 2020 PAWS Report for FY 2020-21 has been reduced to \$261 million, which is a 1.2% increase from the unaudited FY 2019-20 revenues



⁽¹⁾ Decrease in groundwater sales revenues in FY 2018-19 a result of above average precipitation in 2019.

⁽²⁾ Based on unaudited actual amounts.

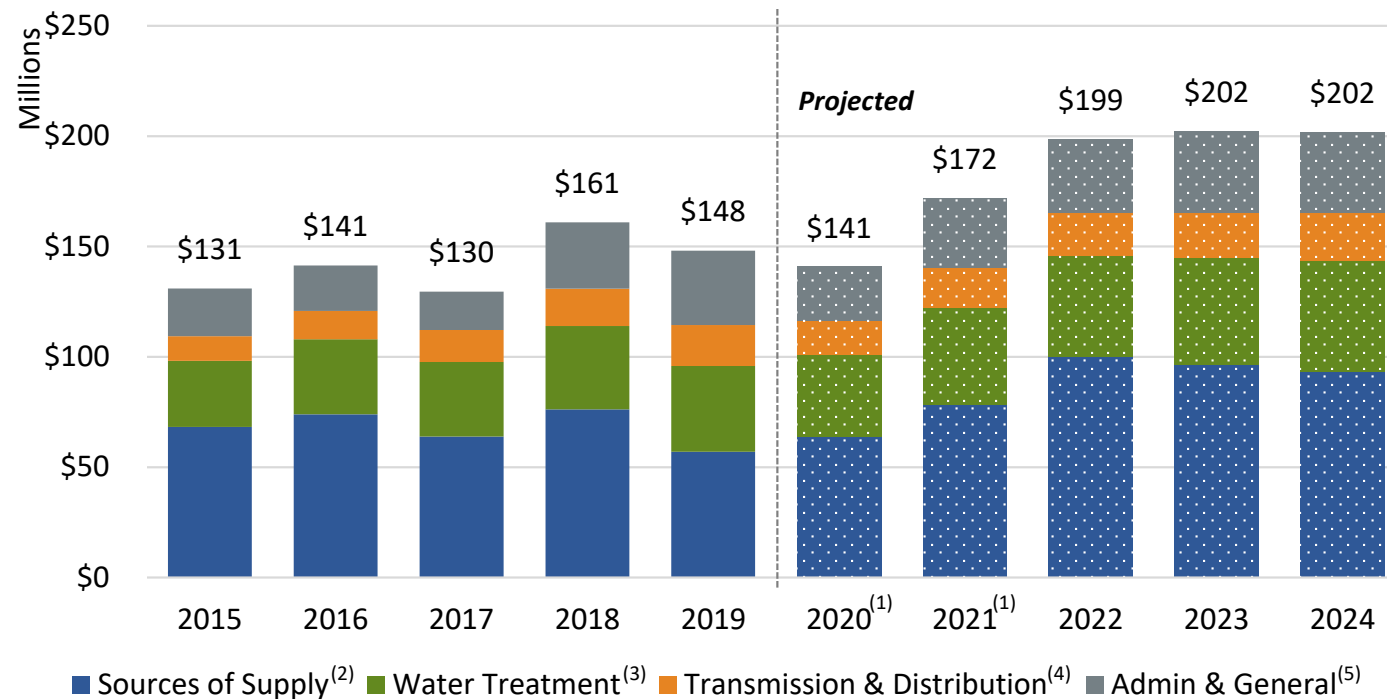
⁽³⁾ Increases reflect the effect of the forecasted rate increases in the 2020 PAWS Report, however, no assurances can be made that the Board will adopt rate increases consistent with the 2020 PAWS Report for such Fiscal Years.

Source: Valley Water.

Expense Trends

- **Maintenance and operation costs increased 23% from FY 2015 to FY 2018, largely due to imported water purchases and general inflation, but decreased 8% for FY 2019**
 - Expenses expected to increase by a 5.5% compounded annual growth rate from FY 2021 to FY 2024

Historical and Projected Maintenance and Operations Costs by Fiscal Year



⁽¹⁾ FY 2019-20 is based on unaudited actual results and FY 2020-21 is based on the adopted budget.

⁽²⁾ Includes projected costs for only the SWP portion of the California Water Fix Project (does not include CVP portion). Projected costs reflecting further participation in the Delta Conveyance project are subject to Board approval. Reflects compound annual growth rate of 6.0% between FY 2020-21 and FY 2023-24.

⁽³⁾ Reflects compound annual growth rate of 4.4% per annum between FY 2020-21 and FY 2023-24.

⁽⁴⁾ Reflects compound annual growth rate of 6.8% for raw water and 4.6% for treated water between FY 2020-21 and FY 2023-24. Increases to treated water transmission and distribution costs beginning in FY 2019-20 are primarily the result of planned increases to the preventative maintenance and repair of pipelines.

⁽⁵⁾ Includes letter of credit fees and other banking costs.

Source: Valley Water.

Historical Operating Results

- Debt service coverage has exceeded 3.1x since FY 2016

Historical Operating Results & Debt Service Coverage (\$000s) ⁽¹⁾					
Water Utility System	2014-15	2015-16	2016-17	2017-18	2018-19
Total Revenues	\$154,696	\$182,404	\$207,200	\$242,700	\$242,271
Total Operating Expenses	\$130,915	\$141,367	\$129,579	\$160,950	\$148,101
Net Water Utility System Revenues	\$23,781	\$41,037	\$77,621	\$81,750	\$94,170
Debt Service on Senior Obligations					
Series 2006 Bonds	\$6,515	\$2,992	\$1,777	\$1,781	\$1,778
Series 2007 Installment Payments	7,981	6,621	6,880	2,082	2,514
DWR Loan	401	401	-	-	-
Total Senior Debt Service	\$14,897	\$10,014	\$8,657	\$3,863	\$4,292
Net Revs. Available for Parity Ob. DS	\$8,884	\$31,023	\$68,964	\$77,887	\$89,878
Debt Service on Parity Obligations					
2016 Bonds	-	\$1,448	\$8,545	\$8,545	\$8,545
2016 Installment Purchase Agreement	-	624	3,682	8,332	10,485
2017A Bonds	-	-	220	4,336	4,356
2019AB Bonds	-	-	-	-	364
Total Parity Debt Service	-	\$2,072	\$12,447	\$21,213	\$23,750
Parity Obligations Debt Service Coverage	-	14.97	5.54	3.67	3.78
Debt Service on Subordinate Obligations					
Commercial Paper	\$60	\$185	-	\$358	\$1,699
Total Debt Service	\$14,957	\$12,271	\$21,104	\$25,434	\$29,741
Revenues Remaining for Cap. Improv.	\$8,824	\$28,766	\$56,517	\$56,316	\$64,429
Senior Debt Service Coverage	1.60	4.10	8.97	21.16	21.94
All-in Debt Service Coverage	1.59	3.34	3.68	3.21	3.17

- Valley Water had approximately 607 days cash on hand as of June 30, 2019

⁽¹⁾ See Preliminary Official Statement for various assumptions.
Source: Valley Water.

Projected Operating Results

- Debt service coverage projected to exceed 2.2x through FY 2024

Projected Operating Results & Debt Service Coverage (\$000s) ⁽¹⁾					
Water Utility System	2019-20 ⁽²⁾	2020-21 ⁽²⁾	2021-22	2022-23	2023-24
Total Revenues	\$275,002	\$269,504	\$325,800	\$352,537	\$378,673
Total Operating Expenses	\$141,442	\$171,690	\$198,719	\$202,009	\$201,740
Net Water Utility System Revenues	\$133,560	\$97,814	\$127,081	\$150,528	\$176,933
Debt Service on Senior Obligations					
Series 2006B Bonds	\$1,778	\$1,781	\$1,780	\$1,777	\$1,777
2007 Installment Purchase Agreement	511	-	-	-	-
Total Senior Debt Service	\$2,289	\$1,781	\$1,780	\$1,777	\$1,777
Net Revs. Available for Parity Ob. DS	\$131,271	\$96,033	\$125,301	\$148,751	\$175,156
Debt Service on Parity Obligations					
2016 Bonds	\$8,545	\$8,545	\$8,545	\$8,545	\$8,545
2016 Installment Purchase Agreement	10,682	10,689	10,687	10,696	10,688
2017A Bonds	4,351	4,362	4,368	4,339	4,376
2019AB Bonds	5,495	5,495	5,497	5,492	5,495
2019C Bonds	1,772	2,775	3,022	3,044	2,992
2020AB Bonds	-	2,238	3,160	3,160	3,160
2020 Installment Purchase Agreement	-	2,500	8,579	8,580	8,580
Future Debt Issuances	-	-	2,657	13,426	26,168
Total Parity Debt Service	\$30,845	\$36,604	\$46,515	\$57,282	\$70,004
Parity Obligations Debt Service Coverage	4.26	2.62	2.69	2.60	2.50
Debt Service on Subordinate Obligations					
Commercial Paper	\$325	\$2,728	\$5,180	\$4,556	\$7,146
Total Debt Service	\$33,459	\$41,113	\$53,475	\$63,615	\$78,927
Revenues Remaining for Cap. Improv.	\$100,101	\$56,701	\$73,606	\$86,913	\$98,006
Senior Debt Service Coverage	58.35	54.92	71.39	84.71	99.57
All-in Debt Service Coverage	3.99	2.38	2.38	2.37	2.24

- Valley Water's Capital Improvement Program for FY 2021 through FY 2025 totals approximately \$1.4 billion, of which approximately 70% is expected to be funded with debt

⁽¹⁾ See Preliminary Official Statement for various assumptions.
Source: Valley Water.

2020 Plan of Finance

- **Commercial Paper (CP) Program**

- Authorized at \$360 million total, current LOC supports \$150 million
- \$129.295 million outstanding as of September 23, 2020
 - \$99.295 million is attributable to Water Utility System projects
 - \$30 million is attributable for Safe, Clean Water Program Projects

- **2020 Plan of Finance**

- Proceeds of 2020 Bonds will repay Water Utility System share of outstanding Commercial Paper and proceeds of 2020 Certificates will finance capital projects of the Water Utility System
- 2020 Bonds and 2020 Certificates will be issued on a Parity Lien (subordinate to Senior Bonds on closed lien)

Water Enterprise Fund							
Series	Outst. Par (\$000)	Mode	Tax Status	Coupon Range	DSRF	Call Status	Final Maturity
Senior Obligations							
2006B	\$17,340	Fixed	Taxable	5.154% - 5.312%	Surety	MWC	6/1/2035
Senior Total	\$17,340						
Parity Obligations							
2016A	\$106,315	Fixed	Tax-Exempt	5.000%	None	12/1/2025 @ 100	6/1/2046
2016B	75,215	Fixed	Taxable	4.154% - 4.354%	None	12/1/2025 @ 100	6/1/2046
2016C	34,860	Fixed	Tax-Exempt	5.000%	None	12/1/2025 @ 100	6/1/2029
2016D	44,295	Fixed	Taxable	2.387% - 3.679%	None	12/1/2025 @ 100	6/1/2029
2017A	49,630	Fixed	Tax-Exempt	5.000%	None	12/1/2026 @ 100	6/1/2037
2019A	14,995	Fixed	Tax-Exempt	5.000%	None	12/1/2026 @ 100	6/1/2049
2019B	78,400	Fixed	Taxable	2.450% - 3.949%	None	6/1/2029 @ 100	6/1/2049
2019C	36,990	Fixed	Taxable	1.798% - 3.034%	None	6/1/2029 @ 100	6/1/2036
Subtotal	\$440,700						
2020A*	\$23,985	Fixed	Tax-Exempt	TBD	None	6/1/2030 @ 100	6/1/2050
2020B*	73,430	Fixed	Taxable	TBD	None	6/1/2030 @ 100	6/1/2050
2020C*	41,265	Fixed	Tax-Exempt	TBD	None	6/1/2030 @ 100	6/1/2041
2020D*	81,565	Fixed	Taxable	TBD	None	6/1/2030 @ 100	6/1/2041
Parity Total	\$660,945						
Other Capital Improvements Fund							
2012A	\$19,230	Fixed	Tax-Exempt	4.000%	Cash	Non-Callable	2/1/2024
2017A	46,265	Fixed	Tax-Exempt	5.000%	None	2/1/2026 @ 100	2/1/2030
Total	\$65,495						

*Preliminary; subject to change

Legal Structure

- **Parity Master Resolution**
 - Closed Senior Lien
 - Defines “Net Water Utility System Revenue” as Water Utility System Revenues less O&M and less Senior Obligation debt service
 - Rate Covenant – Net Water Utility System Revenue of no less than 125% of all outstanding debt service on a budget basis
 - Parity Debt Test (for purposes other than refunding Senior and Parity Obligations)
 - (i) Net Water Utility System Revenue for the most recently audited fiscal year of no less than 125% of outstanding and proposed debt service for FY of issuance; and
 - (ii) estimated Net Water Utility System Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project shall produce a sum equal to at least 125% of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years
 - No DSRF

Conclusion

- **Operations unimpaired by COVID-19**
- **Resilient local economy**
- **Provides an essential service**
- **Strong financial management and rate-making process**
- **Demonstrated willingness to raise rates**
- **Diverse water supplies**
- **Stable customer base with long term contracts**
- **Low debt burden**
- **Ample liquidity**
- **Robust debt service coverage**

Pricing Schedule & Financing Team Contacts

Financing Schedule *

Date	Event
Wednesday, September 23	Post Preliminary Official Statement
Wednesday, September 30	Pricing
Wednesday, October 14	Closing

Issuer

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Santa Clara Valley Water District

File No.: 20-0924

Agenda Date: 10/13/2020

Item No.: *2.7

SUPPLEMENTAL BOARD AGENDA MEMORANDUM

SUBJECT:

Receive Information and Authorize Staff to Proceed with Execution of Bank Line(s) of Credit with Aggregate Stated Amount Not to Exceed \$200 Million.

REASON FOR SUPPLEMENTAL MEMORANDUM:

This report conveys additional information received after the initial report was released, consistent with Executive Limitations Policy EL-7-10-5.

RECOMMENDATION:

- A. Receive information regarding bank line(s) of credit solicitation;
- B. Authorize staff to proceed with execution of bank line of credit with aggregate stated amount not to exceed \$200 Million;
- C. * Authorize a deposit of up to \$14 million in a Certificate of Deposit Account Registry Service (CDAR) account with Bank of San Francisco, earning 0.45% per year for three-years; and
- D. * Authorize staff to offer special incentives to California based small community banks

SUMMARY:

On April 28, 2020, the Santa Clara Valley Water District's (Valley Water) Board of Directors authorized the solicitation, negotiation and execution for bank line(s) of credit up to \$200 million to provide backup liquidity for Valley Water's capital improvement program and general financing needs in light of the ongoing economic uncertainties related to the COVID19 pandemic (Resolution 20-11). The results of the solicitation were presented to the Board at its meeting on June 9, 2020 where the Board directed staff to conduct additional research regarding the environmental, social and governance (ESG) policies of each of the five banks (MUFG Union Bank, JPMorgan Chase, US Bank, UBS and Bank of America) who responded to the solicitation. On August 11, 2020, the Board authorized staff to proceed with negotiations with the banks to ensure Valley Water achieves the most favorable business terms and pricing, provided that the banks meet a minimum of "Average or Medium" ESG ranking by an ESG research firm (per Executive Limitation 4.7.7). The Board also directed staff to reserve \$20 million of the credit capacity for small local banks located within the nine Bay Area counties with total assets of under \$10 billion.

Staff proceeded to contact the top three ranked banks (MUFG, JP Morgan, and US Bank), and negotiated for the best and final offers from each of the banks. Each bank offered various degrees of

changes to their respective proposals, as summarized in Attachment 1.

Based on the banks' best and final offers, staff recommends that the Board authorize the execution of the bank agreement with US Bank to act as the sole lead bank for \$150 million line of credit and the agent for the small/local bank syndicate of up to \$20 million (Attachment 2). Staff recommends proceeding with US Bank due to the following factors:

- US Bank increased the credit capacity to \$150 million (previously \$75 million);
- US Bank reduced the fee structure which resulted in the lowest overall financing rates among the competing offers; for comparison, the estimated bank fees offered by US Bank for the three-year term is approximately \$2.4 million to \$5.3 million lower than JP Morgan and MUFG respectively (assuming \$170 million tax-exempt draw);
- US Bank increased the term to three years (previously 2.5 years) and agreed to various other amendments to key business terms; and
- US Bank agreed to act as the lead bank and agent to administer the syndicated small local bank credit capacity of up to \$20 million, for a total combined revolving line of credit capacity of \$170 million.

US Bank marketed the local bank syndicated loan to 24 local banks located within the Bay Area as well as across California to maximize interest levels (Attachment 3). To-date, US Bank received preliminary commitments from the following local banks:

- Community Bank of the Bay, headquartered in Alameda County, has received bank credit approval to commit \$5 million, subject to Valley Water Board approval of the pricing, terms and conditions of the US Bank agreement.
- Bank of San Francisco, headquartered in the City and County of San Francisco, has conditionally committed up to \$7 million, subject to the following conditions:
 - (i) Valley Water Board approval of the pricing, terms and conditions of the US Bank agreement;
 - (ii) Bank of San Francisco Board approval; and
 - (ii) Valley Water Board approval of placing up to \$14 million in a CDAR deposit account with the Bank of San Francisco earning an annual interest rate of 0.45% for the three-year term. Bank of San Francisco stated that the deposit is necessary to meet the bank's capital funding requirements pursuant to federal banking laws. The funds placed in the CDAR account would be secured by the Federal Deposit Insurance Corporation (FDIC). For comparison, Valley Water current holds \$75 million in deposits in the Local Area Investment Fund (LAIF) administered by the State Controller's Office, earning 0.78% as of August 2020. Should the Board approve Bank of San Francisco's deposit requirement, staff would withdraw \$14 million from LAIF and transfer the funds to the Bank of San Francisco to be invested in the CDAR account. The potential reduction in investment income for the \$14 million CDAR deposit is estimated at approximately \$47 thousand per year or \$140

thousand for the three-year term.

- First Foundation Bank, headquartered in Irvine, Orange County but has Bay area branch locations in Burlingame (San Mateo County) and the City and County of San Francisco, has conditionally committed up to \$10 million, subject to Valley Water Board approval of the pricing, terms and conditions of the US Bank agreement as well as bank credit approval.

Community Bank Special Incentives

The \$20 million small local bank credit capacity may potentially be fully subscribed if the Board approves the three banks described above and each of the banks can complete its own credit approval process to close on the syndicated loan. In the event that any of the small banks are unable to close on the syndicated loan, staff recommends that the Board authorize staff to continue to work with US Bank to offer special incentives to California based community banks and/or minority owned banks with under \$10 billion in total assets to fully subscribe the \$20 million capacity reserved for community banks. Although the prior Board direction was to solicit participation from banks headquartered within the nine Bay Area counties, due to lack of interest from the local Bay area banks, staff recommends expanding the eligibility criteria to California based small banks. The special incentives may include the following, but may be amended to meet the needs of the community banks:

- Offer a one-time upfront fee equal to a percentage of the commitment amount (e.g. 0.50%);
- Offer a deposit amount up to two times the commitment amount; subject to the legal requirements per California Government Code 53600 et. al. for a securitized deposit account (via FHLB Letter of Credit equal to 105% of the deposit amount) or place the funds in FDIC insured CDs through the CDAR program.

US Bank, as the provider for up to \$150 million line of credit, requires that the ongoing commitment and draw fees for the entire syndicated loan be the same, and if Valley Water enters into any future credit agreement that offers terms and conditions to other lenders with provisions more favorable to such lender, then US Bank will receive the same. Given this requirement, Valley Water is not able to offer different commitment and draw fees or better terms and conditions to the community banks, whether through a syndicate with US Bank or other separate bank agreements, other than the one-time upfront fee, as well as offering other incentives such as establishing a deposit account as discussed above. Staff has also previously received guidance from MUFG that the bank's interpretation of Municipal Securities Rulemaking Board (MSRB) Rule G-38 Solicitation of Municipal Securities Business, prohibits different pricing among syndicated loan members (<http://www.msrb.org/Rules-and-Interpretations/MSRB-Rules/General/Rule-G-38.aspx>).

FINANCIAL IMPACT:

Good Faith Estimate of Costs

Pursuant to Government Code 5852.1, the good faith estimate of costs for the three-year term of the bank agreement are calculated to show a range of costs, depending on the timing, amount and tax status of the draws against the line of credit. The low end of the range assumes costs based on limited draws to meet specific business needs, and the high end assumes costs based on fully drawing \$170 million line of credit on a tax-exempt basis.

- (1) The true interest cost is currently estimated to be 0.574% - 1.557%;
- (2) The finance charge (which means the sum of all fees and charges paid to third parties) is estimated to be \$367,780;
- (3) The amount of debt proceeds received by Valley Water (which is net of the finance charge) is estimated to range from \$60 million to \$170 million per year; and
- (4) The total payment amount during the three-year term is estimated to be \$2.7 - \$7.3 million in interest and finance charge, and principal amount ranging from \$60 million to \$170 million per year to be repaid through long-term bond issuances over time.

The above good faith estimates of costs are based on market conditions as of September 30, 2020. Actual results will differ depending on market conditions, fluctuations in the benchmark rate for the draw fees, Valley Water's future business needs which will impact the timing, amount and tax status of the draws, among other factors, that may impact the actual costs in the future.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have the potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

- Supplemental Attachment 1: Best/Final Bank Proposals
- Supplemental Attachment 2: Certificate Purchase/Reimbursement Agreement
- Supplemental Attachment 3: Small Banks Outreach

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

Supplemental Attachment 1 - Best and Final Bank Proposals Summary

Staff Ranking	1		2		3	
Bank	U.S. Bank		MUFG		JPMorgan	
	8/11/2020	10/13/2020	8/11/2020	10/13/2020	8/11/2020	10/13/2020
1 Credit Amount	\$75,000,000	\$150,000,000	\$180,000,000	No Change	\$180,000,000	No Change
2 Term	2.5 years	3 years	3 years	No Change	3 years	No Change
3 Unutilized Fee %	0.450%	0.350%	0.300%	No Change	0.800%	0.600%
4 Tax-exempt rate Index Spread	85% of 1M-LIBOR 1.450%	85% of 1M-LIBOR 1.200%	81% of 1M-LIBOR 2.250%	81% of 1M-LIBOR 2.150%	80% of 1M-LIBOR 1.600%	80% of 1M-LIBOR 1.400%
5 Taxable rate Index Spread	1M-LIBOR 1.700%	1M-LIBOR 1.400%	1M-LIBOR 2.250%	1M-LIBOR 2.150%	1M-LIBOR 1.900%	1M-LIBOR 1.600%
6 Index Floor	0.500%	0.150%	0.000%	No Change	0.750%	0.500%
7 Base Rate	Greater of (1) Prime +1.0%; (ii) Fed Funds Rate +2.0%; and (iii) 7.5%	Greater of (1) Prime +1.0%; (ii) Fed Funds Rate +2.0%; and (iii) 7.0%	Greater of (1) Prime +2.0%; (ii) Fed Funds Rate +4.0%; and (iii) 7.5%	No Change	The highest of (i) JPMorgan's Prime Rate plus 1.50% p.a.; (ii) the Federal Funds Rate plus 2.00% p.a.; or (iii) 7.50% p.a.	No change
8 Bank/Advance Rate Days 1 - 30 Days 30 - 60 Days 60 - 90 Days 90 - 180 Days 181+	Base Rate Base Rate Base Rate Base Rate + 1.0% Base Rate + 2.0%	No change	Base Rate Base Rate + 1.0% Base Rate + 1.0% Base Rate + 1.0% Base Rate + 1.0%	No Change	Days 1-180: Base Rate Days 181+: Base Rate plus 1.00% p.a.	No change
9 Default Rate	Base Rate + 4.0%	Base Rate + 3.0%	Base Rate + 2.0%	No Change	Base Rate plus 3.00% p.a.	No change
10 Failure to Close Fee	Not specified	Bank expenses incurred to date	Not specified	No Change	\$7,500 if mandated and before delivery of 1st draft	No change
11 Termination Fees	During first 6 months for the 1.5 year tenor or 1st year for the 2.5 year tenor	During first year	During 1st year	No Change	Balance of Utilized Fee for remaining term	Balance of Utilized Fee for remaining term for first two years
12 Extension	No earlier than 120 days prior to the expiration date	No change	No greater than 180 days and no less than 90 days prior to the expiration date	No greater than 365 days and no less than 90 days prior to the expiration date	A renewal request may be made in writing by no more than 120 days prior to the expiration date of the facility	No change
13 Term Out Period	3 years or when Parity Debt, Certificates of Participation or other debt is issued	5 years or when Parity Debt, Certificates of Participation or other debt is issued	5 years	No Change	5 years	No change
14 Downgrade Provisions Credit Rating Levels	Increases to the initial unutilized fee rate / applicable spread, respectively	No change	Unutilized fee and Spread increases are cumulative for each level of downgrade	No Change	Increases to the initial unutilized fee rate / applicable spread, respectively	No change
1 AA+	0.00% / 0.00%		0.000%		0.00% / 0.00%	
2 AA	0.05% / 0.05%		0.000%		0.10% / 0.20%	
3 AA-	0.10% / 0.10%		0.050%		0.20% / 0.40%	
4 A+	0.25% / 0.25%		0.050%		0.30% / 0.60%	
5 A	0.35% / 0.35%		0.100%		0.40% / 0.80%	
6 A-	0.45% / 0.45%		0.200%		0.50% / 1.00%	
7 BBB+	0.60% / 0.60%		1.000%		0.60% / 1.20%	
8 BBB			0.500%		0.70% / 1.40%	
9 BBB- Below BBB-			1.500%		0.80 / 1.60%	

Supplemental Attachment 3 - Small Banks Outreach

#	Lender	HQ City	County	Total Assets (\$M)	Tentative Commit.	Comments
1	Bank of San Francisco	San Francisco	San Francisco	\$0.67	\$5-\$7M	Subject to final credit approval and \$14 million deposit
2	Community Bank of the Bay	Oakland,	Alameda	\$0.61	\$5M	Subject to final credit approval
3	First Foundation	Irvine	Orange	\$7.12	\$10	Subject to final credit approval; Branch locations in San Mateo County and San Francisco
4	Pinnacle Bank	Gillroy	Santa Clara	\$0.62		Not interested in municipal loan product
5	AvidBank	San Jose	Santa Clara	\$1.40		Not interested in municipal loan product
6	Heritage Bank of Commerce	San Jose	Santa Clara	\$4.61		Not interested in municipal loan product
7	Meriwest Credit Union	San Jose	Santa Clara	\$1,861.00		Bank not set up to account for this type of loan
8	TechCU	San Jose	Santa Clara	\$3,394.12		Transaction does not meet TechCU lending guidelines
9	Bank of the Orient	San Francisco	San Francisco	\$0.96		Not interested in municipal loan product
10	California Pacific Bank	San Francisco	San Francisco	\$0.09		Not interested in loans yielding less than 5-6% return
11	Mission National Bank	San Francisco	San Francisco	\$0.26		Not interested in municipal loan product
12	Provident Credit Union	Redwood City	San Mateo	\$3,096.00		Bank does not do commercial lending
13	Liberty Bank	South San Francisco	San Mateo	\$0.31		Not interested in municipal loan product
14	Summit Bank	Oakland	Alameda	\$0.30		Not interest due to low rates; not interested in deposits or upfront fee as special incentives.
15	Fremont Bank	Fremont	Alameda	\$5.00		Not interested in municipal loan product
16	Beneficial State Bank	Oakland	Alameda	\$1.24		Not interest due to low rates; not interested in deposits or upfront fee as special incentives.
17	Tri Counties Bank	Chico	Butte County	\$7.36		Not interested in municipal loan product
18	Commonwealth Business Bank	Los Angeles	Los Angeles	\$1.30		Not interested in municipal loan product

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#	Lender	HQ City	County	Total Assets (\$M)	Tentative Commit.	Comments
19	Hanmi Bank	Los Angeles	Los Angeles	\$6.20		Not interested in municipal loan product
20	Preferred Bank	Los Angeles	Los Angeles	\$5.00		Not interested in municipal loan product
21	Bank of Marin	Novato	Marine	\$3.18		Not interest due to low rates; not interested in deposits or upfront fee as special incentives.
22	Banc of California	Santa Ana	Orange	\$7.75		Not interested in municipal loan product
23	River City Bank	Sacramento	Sacramento	\$3.19		Not interest due to low rates; not interested in deposits or upfront fee as special incentives.
24	Farmers & Merchants Bank of Central California	Lodi	San Joaquin	\$4.26		Not interested in municipal loan product