Special Regional Sewerage Program
Technical Committee Meeting

AGENDA
Thursday, December 1, 2016
2:00 p.m.

Location
Inland Empire Utilities Agency
Boardroom
6075 Kimball Avenue
Chino, CA 91708

Call to Order and Roll Call

1. Informational Item
   A. 2008A Revenue Bond Refinancing

DECLARATION OF POSTING
I, Laura Mantilla, Executive Assistant of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. in the foyer at the Agency’s main office, 6075 Kimball Avenue, Building A, Chino, CA on Monday, November 28, 2016.

Laura Mantilla
Date: December 1, 2016/December 6, 2016

To: Regional Committee

From: Inland Empire Utilities Agency

Subject: 2008A Refunding

RECOMMENDATION

This is an information item for the Regional Committees to review.

BACKGROUND

This item is scheduled to be presented to the IEUA Board of Directors meeting on December 21, 2016.
2008A Revenue Bond Refunding

Regional Committees
December 2016
Why Refinance Now?

- Interest rates remain very low:
  - Return on investment ~1%
  - Opportunity to replace 5% coupon debt with lower rate debt.
- Use of available cash reserves to pay down high interest debt.
- Significant present value savings over the life of the bonds.
- Reducing debt service costs will:
  - Decrease pressure on rates/fees in the future, and
  - Improve long term debt coverage ratio.
- Reducing outstanding debt will leave room for future borrowings needed to support TYCIP.
- On going review of opportunities to lower debt service cost is consistent with the IEUA Business Goal of Fiscal Responsibility.
Major Projects

- **RP5 Solid Expansion** ~ $165M (2023)
- **RP5 Liquid Expansion** ~ $160M (2025)
- **RP1 Expansion** ~ $165M (2030)
- **RP4 Expansion** ~ $10M (2032)
- **RP2 Decommissioning** ~ $30-$60M (2035)
New Debt Needed for TYCIP

Total Debt Outstanding
As of June 30, 2016
$311 Million

- ~$310M new debt needed over the next ten years;
  - TYCIP $685M, and
  - 20YCIP $935M

- ~$492M total outstanding debt estimated as of June 30, 2026 (net of $129M debt service payments)
2008A Bonds - $125M par

Issued to finance capital projects in the Regional Wastewater, Recycled Water and Non-Reclaimable Wastewater programs.

- 5% fixed interest rate
- $6.250M/year interest only payable through 2022
- Callable for the first time November 1, 2017

2008A Bonds Current Debt Amortization Schedule

![Amortization Schedule]

Principal payments begin 2023
Financing Option Objectives

- Ensure short term and long term operational and financial stability
- Reduce debt service costs
- Prudent use of available cash reserves
- Ensure debt capacity to support future capital requirements

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Name</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>Baseline</td>
<td>Maintain current amortization schedule.</td>
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<tr>
<td>2</td>
<td>5 Year Redemption</td>
<td>Early redemption over 5 years, $25M per year beginning 2017.</td>
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<tr>
<td>3</td>
<td>Partial Refinancing / Cash Defeasance</td>
<td>Advance refinancing of $75M, and cash defeasance of $50M.</td>
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<td>4</td>
<td>Full Refinancing</td>
<td>Advance refinancing of $125M.</td>
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Scenario 2 – 5 year redemption

Total Savings: $ 82.6 Million
Net Present Value Savings: $ 12.7 Million
Scenario 3 – Partial Refinancing

Total Savings: $ 62.3 Million
Net Present Value Savings: $ 22.0 Million
Scenario 4 – Full Refinancing

Total Savings: $23.4 Million
Net Present Value Savings: $15.5 Million
Recommendation Scenario 3 – Partial Refinancing/Cash Defeasance

- Ensure operational and financial stability
  - Provides $22 million estimated present value savings

- Reduce debt service costs
  - Eliminates high principal payments starting in 2023 thru 2038
  - Relieves upward pressure on future rates and fees

- Prudent use of available cash reserves
  - $55 million available in CCRA funds
  - Minimal interest earnings due to historically low rates

- Ensure debt capacity to support future capital requirements
  - Estimated 16% reduction of in total principal outstanding debt
  - DCR maintained above 2.4X over the next 20 years
# Current Financing Schedule

<table>
<thead>
<tr>
<th>Week of</th>
<th>Activity</th>
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<tbody>
<tr>
<td>12/01/16 and 12/08/16</td>
<td>Information to Regional Committees</td>
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<tr>
<td>12/21/16</td>
<td>CBRFA and Agency approval</td>
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<td>Estimated Bond closing in early February 2017</td>
<td>Rating Agency Meetings</td>
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<td></td>
<td>Redemption Notice to Trustee, Review of final documents</td>
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<td>Receive Credit Ratings</td>
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<td>Board approval of final documents, Redemption Notice to Bondholders</td>
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<td>Post Preliminary Official Statement (POS), Market Bonds</td>
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<td></td>
<td>Pre-pricing (1/11), Pricing (1/12)</td>
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<tr>
<td></td>
<td>Bond Closing</td>
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