



## 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

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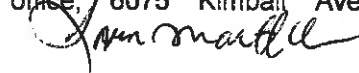
#### Call to Order and Roll Call

#### 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

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**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

**RP1  
Expansion  
~ \$165M**

2030

**RP2  
Decommissioning  
~ \$30-\$60M**

2032

2035

**RP5 Liquid  
Expansion  
~ \$160M**

**RP4  
Expansion  
~ \$10M**

# New Debt Needed for TYCIP



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



■ Bonds ■ SRF Loans/Notes

- ~\$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)

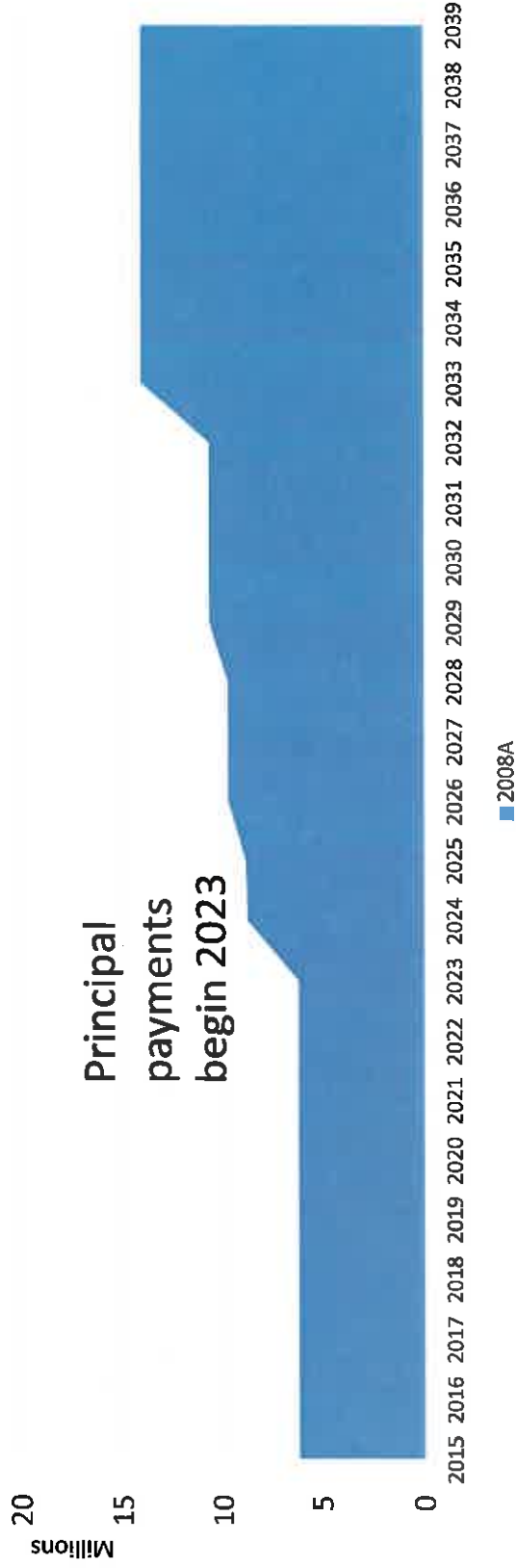
# 2008A Bonds - \$125M par



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



# 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

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

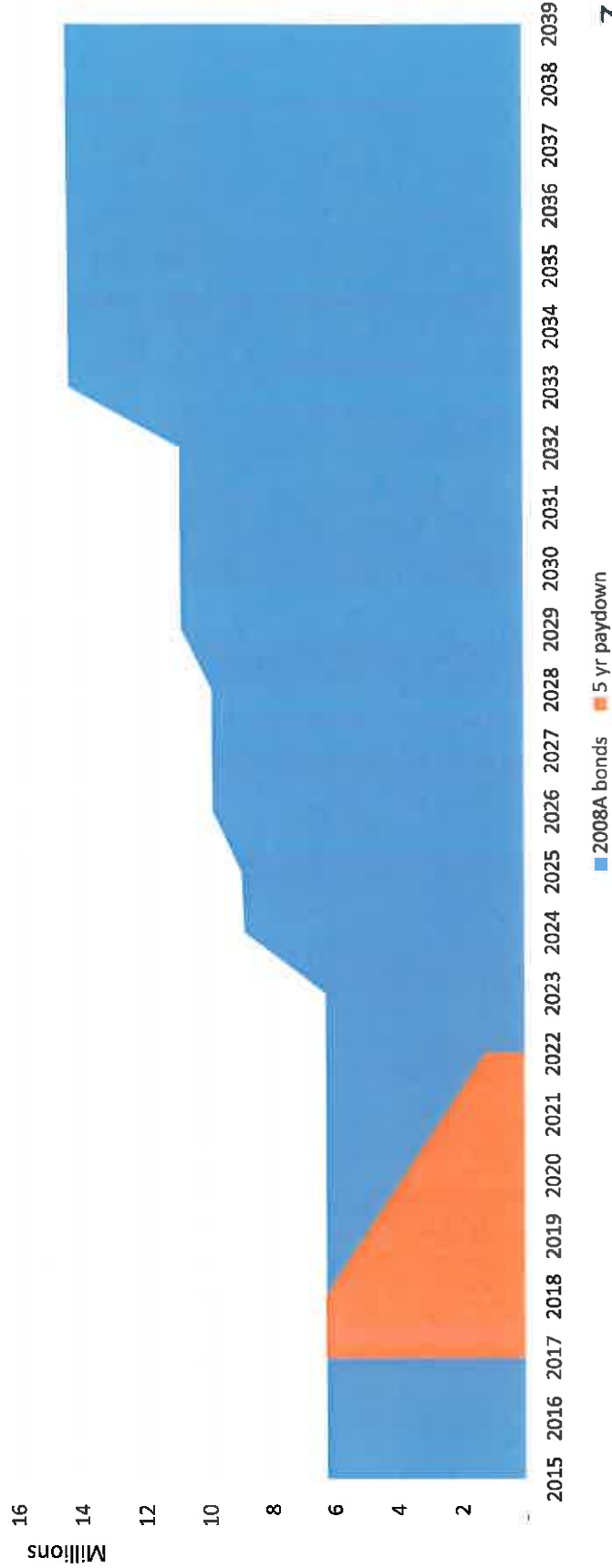




# Scenario 2 – 5 year redemption

**Total Savings:** \$ 82.6 Million  
**Net Present Value Savings:** \$ 12.7 Million

Debt Service Comparison



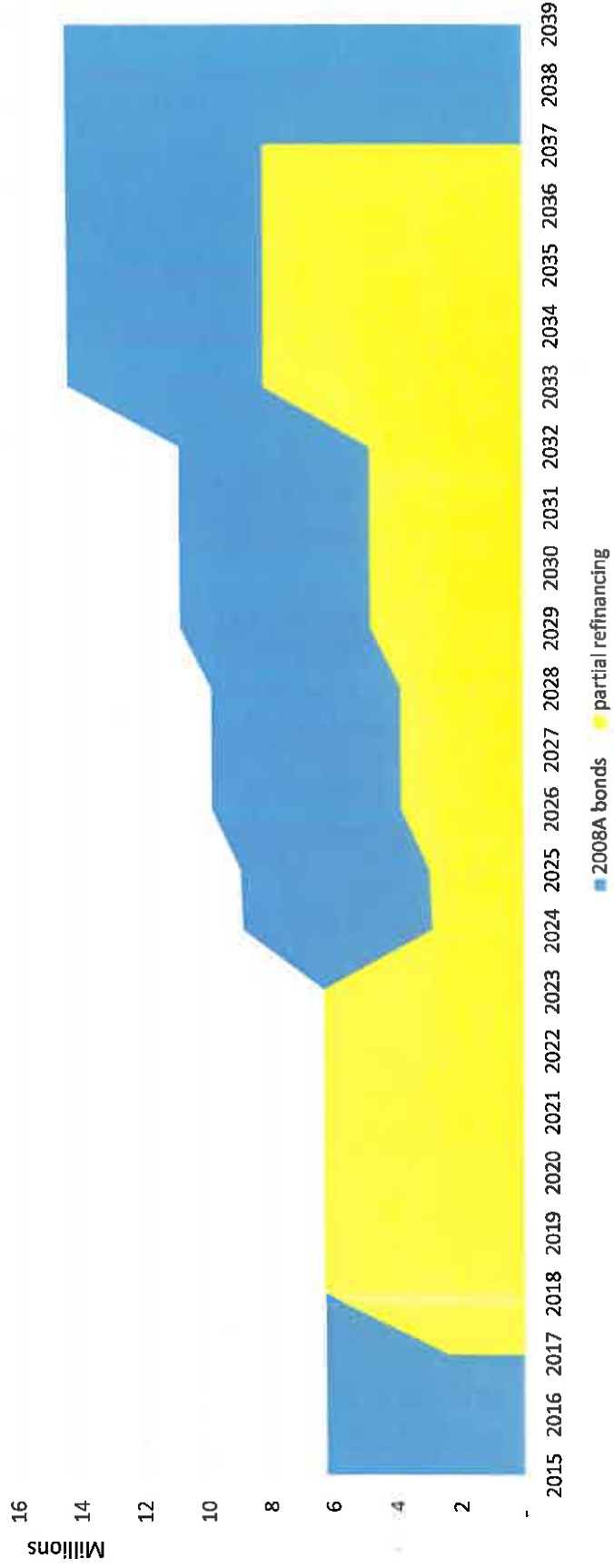
# Scenario 3 – Partial Refinancing



**Total Savings: \$ 62.3 Million**

**Net Present Value Savings: \$ 22.0 Million**

Debt Service Comparison



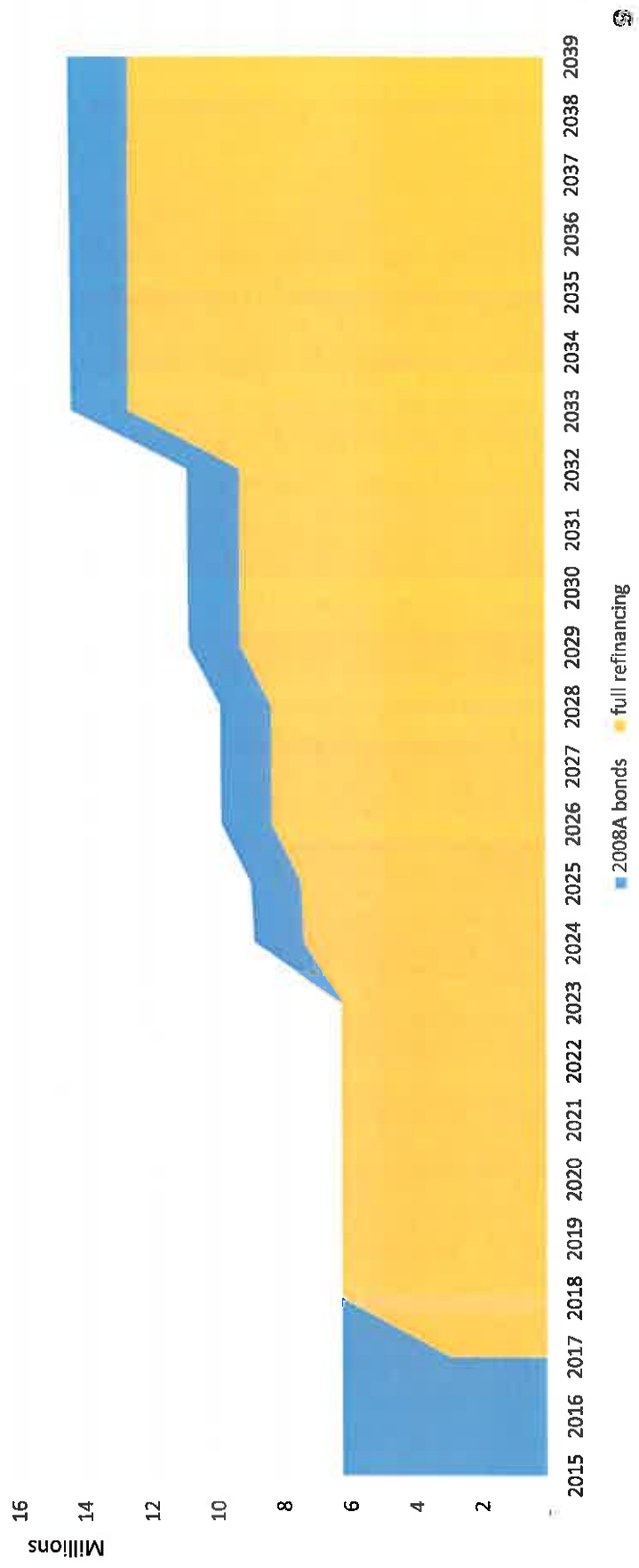
# Scenario 4 – Full Refinancing



**Total Savings: \$ 23.4 Million**

**Net Present Value Savings: \$ 15.5 Million**

Debt Service Comparison



# 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



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