NOTICE OF RESCHEDULED MEETING

REGULAR MEETING
OF THE

REGIONAL SEWERAGE POLICY COMMITTEE

SCHEDULED FOR
THURSDAY, DECEMBER 1, 2016, 4:30 P.M.
HAS BEEN RESCHEDULED TO
TUESDAY, DECEMBER 6 AT 9:00 A.M.

6075 Kimball Avenue
Chino, CA  91708
Regional Sewerage Program Policy Committee Meeting

AGENDA
Tuesday, December 6, 2016
9:00 a.m.

Location
Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, CA 91710

Call to Order and Roll Call

Pledge of Allegiance

Public Comment

1. Informational Items
   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 Thursday, December 1, 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.
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**

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>
</tr>
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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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<td>3</td>
<td>Partial Refinancing / Cash Defeasance</td>
<td>Advance refinancing of $75M, and cash defeasance of $50M.</td>
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<tr>
<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

Debt Service Comparison
Scenario 4 – Full Refinancing

Total Savings: $ 23.4 Million
Net Present Value Savings: $ 15.5 Million

Debt Service Comparison

- 2008A bonds
- full refinancing
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
<table>
<thead>
<tr>
<th>Activity</th>
<th>Week of 12/01/16 and 12/08/16</th>
<th>Estimated Bond closing in early February 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information to Regional Committees</td>
<td>CBRFA and Agency approval</td>
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</tr>
<tr>
<td>Rating Agency Meetings</td>
<td>Review of final documents</td>
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<tr>
<td>Redemption Notice to Trustee</td>
<td>Receive Credit Ratings</td>
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<tr>
<td>Board approval of final documents</td>
<td>Post Preliminary Official Statement (POS), Market Bonds</td>
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<tr>
<td>Redemption Notice to Bondholders</td>
<td>Pre-pricing (1/11), Pricing (1/12)</td>
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<td>Bond Closing</td>
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