

WALNUT VALLEY WATER DISTRICT
271 South Brea Canyon Road
Walnut, California 91789

SPECIAL BOARD MEETING
THURSDAY, JANUARY 17, 2013 – 4:00 P.M.
AGENDA

NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in any Board meeting, please contact the General Manager's office at least 48 hours prior to a Board meeting to inform the District of your needs and to determine if accommodation is feasible.

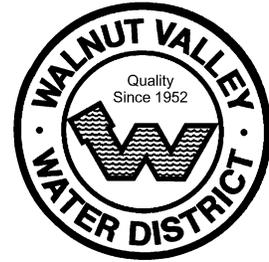
Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance, to take action on any item.

Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review during regular business hours at the District office, located at 271 S. Brea Canyon Road, Walnut, California.

1. Flag Salute
2. Roll Call: Ms. Carrera_____ Mr. Ebenkamp_____ Mr. Hilden_____ Ms. Kwong_____ Dr. Wu_____
3. Public Comment_____President Hilden
The Presiding Officer may impose reasonable limitations on public comments to assure an orderly and timely meeting.
 - A. **Agenda Items** - Any person desiring to address the Board of Directors on any Agenda item may do so at the time the item is considered on the Agenda by requesting the privilege of doing so at this time and stating the Agenda item to be addressed. At the time the item is discussed, those requesting to speak will be called to do so.
 - B. **Non-Agenda Items** - At this time the public shall have an opportunity to comment on any non-agenda item relevant to the jurisdiction of the District. Reasonable time limits on each topic and on each speaker are imposed in accordance with Board policy.
4. Approval of Payment for Purchased Water for December 2012
 - A. Discussion
 - B. Action Taken
5. Discussion Regarding Long-Term Debt Financing Options
 - A. Discussion
 - B. Action Taken

Adjournment

WVWD – Staff Report



TO: Board of Directors
FROM: General Manager
DATE: January 17, 2013
SUBJECT: Approval of Purchased Water Payments for December 2012

Action/Discussion
 Fiscal Impact
 Resolution
 Information Only

Recommendation

That the Board of Directors approve payment of purchased water for the month of December 2012 to:

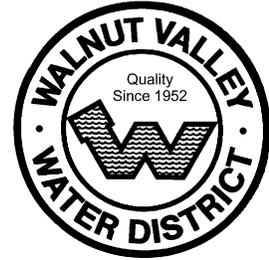
- (1) Three Valleys Municipal Water District in the amount of \$899,603.07 (Check No. 5647), and
- (2) The Pomona-Walnut-Rowland Joint Water Line in the amount of \$534,497.59 (Check No. 5648).

Background Information

The amount of the charges for water purchased for the month of December 2012 was not available at the January 14, 2013 Board meeting. The invoices for purchased water have subsequently been received and staff is requesting that the Board approve the following:

	Description	Amount	Total
5647	Three Valley Municipal Water District		899,603.07
	Purchased Water	302,752.20	
	TVMWD Surcharge	(381.30)	
	TVMWD Charges	20,556.59	
	MWD Capacity Charge	16,675.58	
	Cyclic Storage Water	560,000.00	
5648	Pomona-Walnut-Rowland JWL Commission		534,497.59
	Purchased Water	497,838.00	
	TVMWD Surcharge	(627.00)	
	MWD Capacity Reservation Charge	13,018.05	
	TVMWD Charges	11,503.87	
	PWR Charges	4,959.00	
	PWR Budget Assessment	7,805.67	
	Total		1,434,100.66

WVWD – Staff Report



TO: Board of Directors
FROM: General Manager
DATE: January 17, 2013
SUBJECT: Discussion Regarding Long-Term Debt Financing Options

Action/Discussion

Fiscal Impact

Resolution

Information Only

Recommendation

Request the Board of Directors review and discuss the information provided and consider staff's recommendation to set funding at \$20 million for a term of twenty-five years.

Background Information

Over the past several months, staff has been working with Fieldman, Rolapp and Associates in structuring a revenue bond debt financing. A portion of the proceeds from this financing would be used to fund various water resource projects being developed jointly with the Rowland Water District. As this process has progressed staff, would like to update and seek direction from the Board on the following items:

- Description of Projects
- Required Amount of Financing
- The Term of the Bond Financing

Project Descriptions

The District is currently 100% dependent on imported water for its potable water supplies. The District, in partnership with the Rowland Water District, in 2010 significantly revised and expanded the provisions of the Joint Powers Agreement, for the Puente Basin Water Agency, in part to provide a mechanism to develop joint water resource projects. These alternative water supplies will reduce the District's reliance on imported water and reduce the impact of rising imported water costs. The alternate water supply project primarily consists of the purchase of water rights and constructing infrastructure improvements (water mains, pump stations, and treatment facilities) that will connect the systems of the various potable water producers in the area to the potable systems of Walnut Valley and Rowland.

In addition to the joint projects, the District will also use a portion of the bond proceeds to fund the construction and remodel of the District Headquarters and expansion of its recycled water system.

Required Amount of Financing

Based on the table below the total amount of the projects identified by the District is \$20,000,000 (twenty million dollars). Based on current market conditions, it is estimated that the District's revenue bonds could be sold at a premium. As such it is estimated that the District would need to issue between \$17 million to \$18 million in debt to finance the \$20 million dollars needed for the projects and to cover the bond issuance costs (i.e., the Financial Advisor, the underwriter's discount, and our bond counsel).

ESTIMATED PROJECT COSTS

<u>Component</u>	<u>Row land</u>	<u>Walnut Valley</u>	<u>Total</u>
<u>Phase 1A</u>			
Pipeline, metering, treatment facilities	\$ 500,000	\$ 500,000	\$ 1,000,000
Well rehab and connection pipeline	1,250,000	1,250,000	2,500,000
Subtotal	1,750,000	1,750,000	3,500,000
<u>Phase 1B</u>			
2 pump Stations	1,500,000	1,500,000	3,000,000
3 Mile transmission pipeline	2,000,000	2,000,000	4,000,000
Treatment facilities	500,000	500,000	1,000,000
Subtotal	4,000,000	4,000,000	8,000,000
<u>Phase 1C</u>			
Replace 2 wells	2,000,000	2,000,000	4,000,000
Development of 3 to 5 new Wells	3,000,000	3,000,000	6,000,000
Pipelines	1,000,000	1,000,000	2,000,000
Treatment Facilities	3,250,000	3,250,000	6,500,000
Subtotal	9,250,000	9,250,000	18,500,000
<u>District Projects</u>			
Water Rights Acquisition	-	3,500,000	3,500,000
District headquarters	-	5,000,000	5,000,000
Subtotal	-	8,500,000	8,500,000
Total	\$ 15,000,000	\$ 23,500,000	\$ 38,500,000

(1) Projected project costs are higher than amount of debt financing and will be funded through reserves and other resources of the District.

(2) Amounts for water right acquisition includes \$1,570,569 already paid for acquiring 365 af in the Central Basin. It is expected that this will be repaid to the District from the bond proceeds.

Term (length) of Bond Financing

The issuance of debt, regardless of the amount or term of financing, has a direct impact on the District's rates and reserve funding. The District must ensure that its rates are not only sufficient to cover the annual principal and interest payments, but must also make certain they are sufficient to meet the required debt coverage (the District's net revenues must be equal to at least 125% of the annual principal and interest payment). Traditionally the District has financed its debt over a 30-year term. However, because of the current low interest rate environment staff evaluated a 20-, 25-, and 30-year term. The following table summarizes the financing term alternatives:

<u>Structure (Term) ⁽¹⁾</u>	<u>FINANCING ALTERNATIVES</u>		
	<u>20-year</u>	<u>25-Year</u>	<u>30-year</u>
Par Amount	\$ 17,540,000	\$ 17,640,000	\$ 17,725,000
Premium	2,670,612	2,571,689	2,448,260
Projected Proceeds	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Total Interest Cost	3.27%	3.65%	3.89%
Average Annual Debt Service	\$ 1,385,479.00	\$ 1,238,152.00	\$ 1,143,754.00
Total Debt Service	\$ 27,478,667	\$ 30,747,433	\$ 34,121,983
Difference Versus 30-Year	\$ (6,643,316)	\$ (3,374,550)	\$ -

(1) Amounts based on estimates, actual amounts, interest rate etc will vary

(2) Estimates prepared by Citi Group Financial

After evaluating the various financing terms along with an analysis of the projected rates, reserves and required debt coverage, staff is recommending that the 25-year financing alternative be selected. Staff believes the 25-year term provides the District with significant costs savings (estimated \$3.3 million versus 30-years), increasing the annual payment by only

\$94,000 per year when compared to a 30-year term. In addition to the cost savings, staff believes with the uncertainty of future costs, particularly the cost of purchased water, and the sensitivity of rate increases, the 25-year option provides significant costs savings while still providing the necessary flexibility so the District can set rates sufficient to meet its obligations and the required debt coverage.

In addition, since the bonds will likely have a ten-year call protection provision, the District could set additional funds aside, when available, to call bonds in the later years once the call protection period passes. This would allow the District to further reduce the interest cost associated with the debt issuance and reduce the overall term of the bonds.

Based on the recommendation for a 25-year term, staff has prepared estimates of the debt coverage and reserve funding for the next five years. These estimates are based on projected rate increases which are detailed in the attached document "Projected Rates."

WALNUT VALLEY WATER DISTRICT
Projected Operating Results - Debt Coverage ⁽¹⁾

	PROJECTED 2013	PROJECTED 2014	PROJECTED 2015	PROJECTED 2016	PROJECTED 2017
TOTAL OPERATING REVENUES	\$ 29,525,034	\$ 31,718,059	\$ 33,291,928	\$ 34,891,386	\$ 36,549,481
TOTAL OPERATING EXPENSES	29,487,551	30,757,686	32,015,733	33,344,350	34,721,411
OPERATING INCOME (LOSS)	37,483	960,374	1,276,195	1,547,036	1,828,069
TOTAL NON-OPERATING REVENUES	1,643,043	1,616,671	1,578,857	1,561,150	1,541,537
INCOME (LOSS)	1,680,526	2,577,045	2,855,051	3,108,186	3,369,606
2013 INSTALLMENT PAYMENTS	-	1,108,042	1,245,575	1,246,425	1,248,825
DEBT SERVICE COVERAGE RATIO		233%	229%	249%	270%
INCOME (LOSS) AFTER DEBT PAYMENTS	1,680,526	1,469,002	1,609,476	1,861,761	2,120,781

(1) Certain revenue and expenses included in the debt coverage calculation have been excluded for purposes of calculating the reserves

	PROJECTED 2013	PROJECTED 2014	PROJECTED 2015	PROJECTED 2016	PROJECTED 2017
TOTAL OPERATING REVENUES	\$ 29,525,034	\$ 31,718,059	\$ 33,291,928	\$ 34,891,386	\$ 36,549,481
TOTAL OPERATING EXPENSES	28,987,551	30,257,686	31,515,733	32,844,350	34,221,411
OPERATING INCOME (LOSS)	537,483	1,460,374	1,776,195	2,047,036	2,328,069
TOTAL NON-OPERATING REVENUES	1,369,033	1,371,342	1,376,379	1,384,378	1,393,530
INCOME (LOSS)	1,906,516	2,831,716	3,152,573	3,431,414	3,721,599
2013 INSTALLMENT PAYMENTS	-	1,108,042	1,245,575	1,246,425	1,248,825
RESERVE FUNDING	\$ 1,906,516	\$ 1,723,673	\$ 1,906,998	\$ 2,184,989	\$ 2,472,774

(1) Certain revenue and expenses included in the debt coverage calculation have been excluded for purposes of calculating the reserves

WALNUT VALLEY WATER DISTRICT
PROJECTED RATES

	CURRENT RATES		FY 2014			FY 2015			FY 2016			FY 2017		
<u>Commodity Rate</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Change</u>										
Residential														
Tier I	\$ 2.16	\$ 2.27	\$ 0.11	5.09%	\$ 2.37	\$ 0.10	4.41%	\$ 2.47	\$ 0.10	4.22%	\$ 2.58	\$ 0.11	4.45%	
Tier II	\$ 2.70	\$ 2.84	\$ 0.14	5.19%	\$ 2.96	\$ 0.12	4.23%	\$ 3.09	\$ 0.13	4.39%	\$ 3.23	\$ 0.14	4.53%	
Tier III	\$ 2.70	\$ 2.84	\$ 0.14	5.19%	\$ 2.96	\$ 0.12	4.23%	\$ 3.09	\$ 0.13	4.39%	\$ 3.23	\$ 0.14	4.53%	
Total /Uniform Rate	\$ 2.42	\$ 2.55	\$ 0.13	5.37%	\$ 2.66	\$ 0.11	4.31%	\$ 2.78	\$ 0.12	4.51%	\$ 2.90	\$ 0.12	4.32%	
Multi - Family	\$ 2.56	\$ 2.67	\$ 0.11	4.30%	\$ 2.75	\$ 0.08	3.00%	\$ 2.84	\$ 0.09	3.27%	\$ 2.93	\$ 0.09	3.17%	
Commercial/Industrial	\$ 2.61	\$ 2.71	\$ 0.10	3.83%	\$ 2.80	\$ 0.09	3.32%	\$ 2.89	\$ 0.09	3.21%	\$ 2.99	\$ 0.10	3.46%	
<u>Meter Charge</u>	<u>Current rate</u>	<u>Proposed Rate</u>												
5/8 or 3/4	\$ 16.33	\$ 17.82	\$ 1.49	9.12%	\$ 19.37	\$ 1.55	8.70%	\$ 20.96	\$ 1.59	8.21%	\$ 22.51	\$ 1.55	7.40%	
1"	\$ 20.75	\$ 22.63	\$ 1.88	9.06%	\$ 24.58	\$ 1.95	8.62%	\$ 26.59	\$ 2.01	8.18%	\$ 28.54	\$ 1.95	7.33%	
1 1/2"	\$ 44.64	\$ 48.62	\$ 3.98	8.92%	\$ 52.75	\$ 4.13	8.49%	\$ 57.00	\$ 4.25	8.06%	\$ 61.09	\$ 4.09	7.18%	
2"	\$ 68.51	\$ 74.59	\$ 6.08	8.87%	\$ 80.89	\$ 6.30	8.45%	\$ 87.36	\$ 6.47	8.00%	\$ 93.60	\$ 6.24	7.14%	
3"	\$ 125.12	\$ 136.19	\$ 11.07	8.85%	\$ 147.66	\$ 11.47	8.42%	\$ 159.42	\$ 11.76	7.96%	\$ 170.76	\$ 11.34	7.11%	
4"	\$ 205.80	\$ 223.97	\$ 18.17	8.83%	\$ 242.79	\$ 18.82	8.40%	\$ 262.09	\$ 19.30	7.95%	\$ 280.70	\$ 18.61	7.10%	
6"	\$ 402.72	\$ 438.19	\$ 35.47	8.81%	\$ 474.92	\$ 36.73	8.38%	\$ 512.56	\$ 37.64	7.93%	\$ 548.84	\$ 36.28	7.08%	
8"	\$ 639.61	\$ 695.90	\$ 56.29	8.80%	\$ 754.17	\$ 58.27	8.37%	\$ 813.89	\$ 59.72	7.92%	\$ 871.43	\$ 57.54	7.07%	
<u>Pump Zone Charge</u>	<u>Current rate</u>	<u>Proposed Rate</u>												
Zone 1	No Charge	No Charge												
Zone 2	\$ 0.18	\$ 0.18	\$ -	0.00%	\$ 0.19	\$ 0.01	5.56%	\$ 0.20	\$ 0.01	5.26%	\$ 0.21	\$ 0.01	5.00%	
Zone 3	\$ 0.34	\$ 0.34	\$ -	0.00%	\$ 0.36	\$ 0.02	5.88%	\$ 0.37	\$ 0.01	2.78%	\$ 0.39	\$ 0.02	5.41%	
<u>Impact of Rates</u> ⁽¹⁾	<u>Current</u>	<u>Proposed</u>			<u>Proposed</u>			<u>Proposed</u>			<u>Proposed</u>			
Pump Zone 1	\$ 74.65	\$ 79.14	\$ 4.49	6.01%	\$ 83.33	\$ 4.19	5.29%	\$ 87.68	\$ 4.35	5.22%	\$ 92.23	\$ 4.55	5.19%	
Pump Zone 2	\$ 78.97	\$ 83.46	\$ 4.49	5.69%	\$ 87.89	\$ 4.43	5.31%	\$ 92.48	\$ 4.59	5.22%	\$ 97.27	\$ 4.79	5.18%	
Pump Zone 3	\$ 82.81	\$ 87.30	\$ 4.49	5.42%	\$ 91.97	\$ 4.67	5.35%	\$ 96.56	\$ 4.59	4.99%	\$ 101.59	\$ 5.03	5.21%	

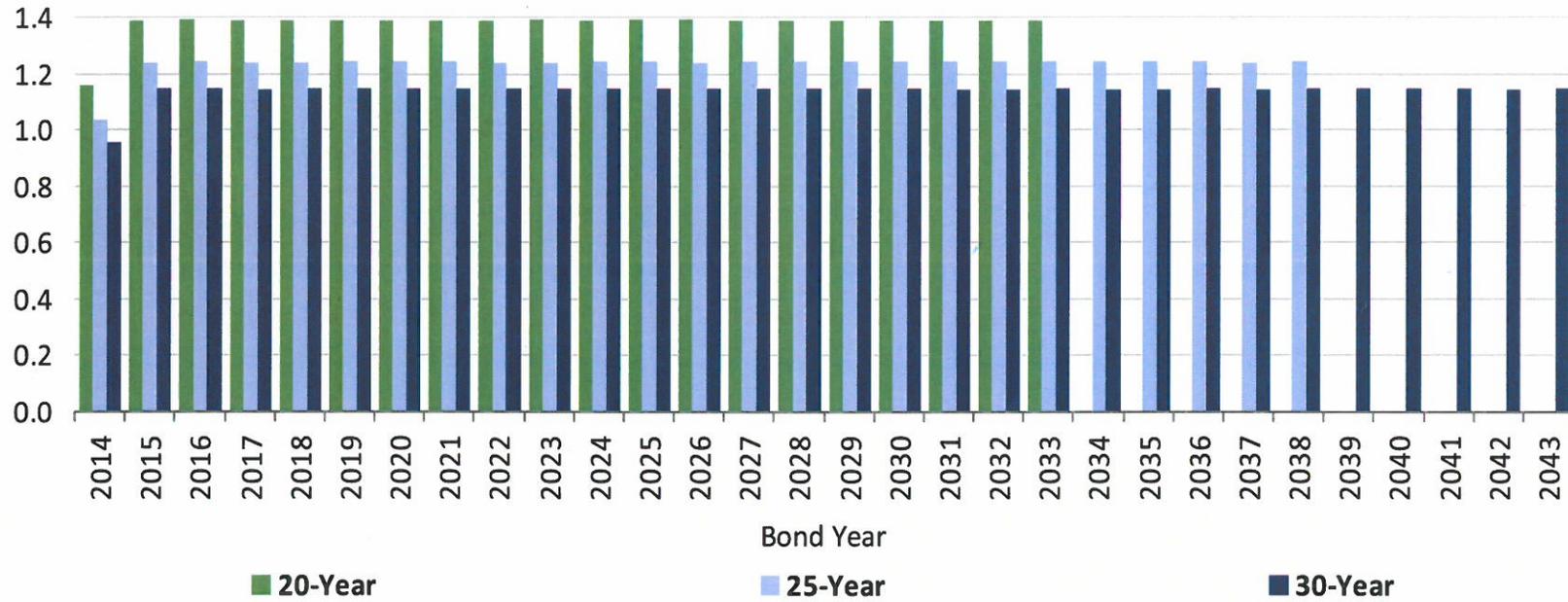
(1) The rate impact for a residential customer with an average consumption of 24 units, with a meter size of 5/8"



Comparison of Results

New Money Financing Alternatives			
<u>Structure (Term)</u>	<u>20-Year</u>	<u>25-Year</u>	<u>30-Year</u>
Par Amount	\$17,540,000	\$17,640,000	\$17,725,000
Premium	\$2,670,312	\$2,571,689	\$2,488,260
Project Proceeds	\$20,000,000	\$20,000,000	\$20,000,000
Average Life	12 years	15 years	19 years
All-in-TIC	3.27%	3.65%	3.89%
Average Annual Debt Service	\$1,385,479	\$1,238,152	\$1,143,754
Total Debt Service	\$27,478,667	\$30,747,433	\$34,121,983

\$ Millions



As of COB January 3, 2013 and assumes AA- ratings. Structured to create level debt service. No Cap I or DSRF is created. Assumes closing on 4/1/2013 and February 1 principal payments (first interest payment on 8/1/2013). Past performance does not indicate future results. For illustrative Purposes Only; Subject to Tax Counsel review and approval. Assumes \$150,000 COI. Preliminary and subject to change.