

CHRISTIAN VALLEY PARK COMMUNITY SERVICES DISTRICT

AGENDA REPORT

TO: Board of Directors
FROM: Don Elias, General Manager
MEETING DATE: May 19, 2020
SUBJECT: Consider a Resolution Authorizing a Financing Agreement and Providing for the Refunding of the 2008 Certificates of Participation (Gayle Loop Project)

RECOMMENDATION

Staff recommends that the Board of Directors adopt Resolution No. _____ authorizing and directing the execution of a Financing Agreement and Irrevocable Refunding Instructions providing for the Refunding of the 2008 Certificates of Participation (Gayle Loop Project), appointing consultants and providing for other matters properly related thereto.

BACKGROUND / DISCUSSION

On August 12, 2008 the District issued its 2008 Certificates of Participation (the "2008 Certificates") for the Gail Loop Project, which were issued in the original aggregate principal amount of \$921,000 at a rate of 4.25%, which are paid semiannually each February and August, with a final maturity of August 1, 2048. The 2008 Certificates were purchased by USDA and are paid solely from a dedicated source of revenues charged specifically only to those District ratepayers that benefitted from the Gail Loop Project (the "Gayle Loop Revenues"). The 2008 Certificates are prepayable any time without penalty.

The District can accomplish the prepayment and refunding of the 2008 Certificates by issuing new Series 2020 Water Revenue Refunding Loan Obligations (Gayle Loop Refunding Project) (the "2020 Obligations") to take the place of the 2008 Certificates (this process is hereafter referred to as a "Refunding") and save significant money by reducing the interest rate from 4.25% to 2.66% and shortening the repayment period from 28 years to 20 years. Much like refinancing a home mortgage, this Refunding will provide a substantial (over \$300,000) net (after all costs and expenses) savings on the interest accrued over the life of the bonds, which is a direct benefit to the District and its ratepayers.

To secure the 2020 Obligations, First Foundation Bank is requiring that (i) all "Net Revenues" (i.e., water revenues remaining after deducting all water maintenance and operation costs) are pledged as security for the 2020 Obligations, including the Gayle Loop Revenues, and (ii) a dedicated \$52,000 reserve fund (the "Reserve Fund") be established and maintained throughout the life of the 2020 Obligations that can only be used to pay shortfalls/delinquencies and the last year payment on the 2020 Obligations. The Gayle Loop Revenues are designed to be sufficient to timely pay all debt service payments on the 2020 Obligations through maturity; however, the Bank is requiring the Reserve Fund as an extra measure of protection in case one or more property owners should fail to make timely payments on their corresponding Gayle Loop property tax bill charge. In the event of any such delinquencies the Reserve Fund will be used to make up the shortfall

until such delinquent amounts can be collected from the corresponding delinquent property owner(s) and then used to replenish the corresponding amount drawn on the Reserve Fund.

All expenses of issuing the 2020 Obligations will be paid from the proceeds of the 2020 Obligations and are contingent on the 2020 Obligations being issued.

The parameters established for the sale of the 2020 Obligations are as follows:

1. The principal amount of the 2020 Obligations will not exceed \$_____.
2. The interest rate on the 2020 Obligations will not exceed 2.66%.
3. The repayment period will be shortened from 28 years to 20 years.
4. The total savings will be not less than \$300,000.
5. The total 2020 Obligations will mature on August 1, 20__.
6. After 3 years the 2020 Obligations are payable on any interest payment date without penalty.
7. The Reserve Fund will be available to cover any shortfall, and will be applied to the last year's debt service payment on the 2020 Obligations.

The Weist Law Firm has been appointed Bond Counsel for this financing and will be present at the Board Meeting to review with the Board the solicitation and selection process, the documents included with this Agenda item, provide a report on other necessary Board actions and the anticipated sequence of events should the Board decide to move ahead with this funding.

SUMMARY OF THE RESOLUTION AND FINANCING AGREEMENT

The subject Resolution being recommended for adoption authorizes the issuance of the 2020 Obligations and approves the form of the Financing Agreement. The Financing Agreement provides for all of the terms and conditions of the of the 2020 Obligations, including, but not limited to, closing conditions, prepayment provisions, Reserve Fund application, insurance requirements, rate covenants, parity bond provisions, as well as all other legal and financial parameters governing the 2020 Obligations.

The subject Resolution also approves the form of the Irrevocable Refunding Instructions (the "Refunding Instructions") which is required to accomplish the transfer of money to USDA in order to prepay the 2008 Obligations in advance of their maturity.

The adoption of the Resolution is necessary for the financing team to move forward with issuance of the 2020 Obligations.

The President, Vice President, General Manager and Secretary have each been designated an "Authorized Representative" of the District for the purposes of structuring and providing for the execution of the Financing Agreement and the corresponding issuance and delivery of the 2020 Obligations, and pursuant to the Resolution are each authorized, jointly and severally, for and in the name of and on behalf of the District, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the execution and delivery of the 2020 Obligations, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Board has intended with the adoption of the Resolution.

Please note that the Financing Agreement and Refunding Instructions are being presented to the Board as form documents, as they cannot be fully completed until all closing certificates have been prepared and executed at Closing, which is expected to occur on May 22nd. This method of approval is the normal method of approving a bond issue in California.

ALTERNATIVES

1. Adopt the Resolution as presented, thereby authorizing and approving the issuance of the 2020 Obligations.
2. Do not approve but provide alternative direction to staff.

ATTACHMENTS

1. Resolution
2. Form of Financing Agreement
3. Form of Refunding Instructions

Sources and Uses of Funds
Christian Valley Park Community Service District
2020 Water Revenue Bonds - Gayle Loop
Direct Placement
Preliminary Numbers

Dated Date: 5/22/2020
Delivery Date: 5/22/2020

Sources:

Bond Proceeds:

Par Amount	684,000.00
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Other Sources of Funds:

District Cash	175,727.00
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859,727.00

Uses:

Refunding Escrow Deposits:

USDA Loan Payoff	776,599.60
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Other Fund Deposits:

Debt Service Reserve Fund	44,000.00
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Delivery Date Expenses:

Cost of Issuance	38,671.00
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Other Uses of Funds:

Additional Proceeds	456.40
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859,727.00

Bond Summary Statistics
Christian Valley Park Community Service District
2020 Water Revenue Bonds - Gayle Loop
Direct Placement
Preliminary Numbers

Dated Date	5/22/2020
Delivery Date	5/22/2020
Last Maturity	8/1/2040
Arbitrage Yield	2.66%
True Interest Cost (TIC)	2.66%
Net Interest Cost (NIC)	2.66%
All-In TIC	3.16%
Average Coupon	2.66%
Average Life (years)	11.318
Weighted Average Maturity (years)	11.318
Par Amount	684,000.00
Bond Proceeds	684,000.00
Total Interest	205,921.76
Net Interest	205,921.76
Total Debt Service	889,921.76
Maximum Annual Debt Service	44,321.73
Average Annual Debt Service	42,377.23

	TIC	All-In TIC	Arbitrage Yield
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Par Value	684,000.00	684,000.00	684,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		(38,671.00)	
- Other Amounts		456.40	
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Target Value	684,000.00	645,785.40	684,000.00
Target Date	5/22/2020	5/22/2020	5/22/2020
Yield	2.660000%	3.163466%	2.660000%

Prior Bond Debt Service
Christian Valley Park Community Service District
2020 Water Revenue Bonds - Gayle Loop
Direct Placement
Preliminary Numbers

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
8/1/2020	14,000.00	4.250%	16,294.48	30,294.48	
2/1/2021			16,294.48	16,294.48	46,588.96
8/1/2021	15,000.00	4.250%	15,996.98	30,996.98	
2/1/2022			15,996.98	15,996.98	46,993.96
8/1/2022	16,000.00	4.250%	15,678.23	31,678.23	
2/1/2023			15,678.23	15,678.23	47,356.46
8/1/2023	16,000.00	4.250%	15,338.23	31,338.23	
2/1/2024			15,338.23	15,338.23	46,676.46
8/1/2024	17,000.00	4.250%	14,998.23	31,998.23	
2/1/2025			14,998.23	14,998.23	46,996.46
8/1/2025	18,000.00	4.250%	14,636.98	32,636.98	
2/1/2026			14,636.98	14,636.98	47,273.96
8/1/2026	19,000.00	4.250%	14,254.48	33,254.48	
2/1/2027			14,254.48	14,254.48	47,508.96
8/1/2027	19,000.00	4.250%	13,850.73	32,850.73	
2/1/2028			13,850.73	13,850.73	46,701.46
8/1/2028	20,000.00	4.250%	13,446.98	33,446.98	
2/1/2029			13,446.98	13,446.98	46,893.96
8/1/2029	21,000.00	4.250%	13,021.98	34,021.98	
2/1/2030			13,021.98	13,021.98	47,043.96
8/1/2030	22,000.00	4.250%	12,575.73	34,575.73	
2/1/2031			12,575.73	12,575.73	47,151.46
8/1/2031	23,000.00	4.250%	12,108.23	35,108.23	
2/1/2032			12,108.23	12,108.23	47,216.46
8/1/2032	24,000.00	4.250%	11,619.48	35,619.48	
2/1/2033			11,619.48	11,619.48	47,238.96
8/1/2033	25,000.00	4.250%	11,109.48	36,109.48	
2/1/2034			11,109.48	11,109.48	47,218.96
8/1/2034	26,000.00	4.250%	10,578.23	36,578.23	
2/1/2035			10,578.23	10,578.23	47,156.46
8/1/2035	27,000.00	4.250%	10,025.73	37,025.73	
2/1/2036			10,025.73	10,025.73	47,051.46
8/1/2036	28,000.00	4.250%	9,451.98	37,451.98	
2/1/2037			9,451.98	9,451.98	46,903.96
8/1/2037	30,000.00	4.250%	8,856.98	38,856.98	
2/1/2038			8,856.98	8,856.98	47,713.96
8/1/2038	31,000.00	4.250%	8,219.48	39,219.48	
2/1/2039			8,219.48	8,219.48	47,438.96
8/1/2039	32,000.00	4.250%	7,560.73	39,560.73	
2/1/2040			7,560.73	7,560.73	47,121.46
8/1/2040	33,000.00	4.250%	6,880.73	39,880.73	
2/1/2041			6,880.73	6,880.73	46,761.46
8/1/2041	35,000.00	4.250%	6,179.48	41,179.48	
2/1/2042			6,179.48	6,179.48	47,358.96
8/1/2042	36,000.00	4.250%	5,435.73	41,435.73	
2/1/2043			5,435.73	5,435.73	46,871.46
8/1/2043	38,000.00	4.250%	4,670.73	42,670.73	
2/1/2044			4,670.73	4,670.73	47,341.46
8/1/2044	39,000.00	4.250%	3,863.23	42,863.23	
2/1/2045			3,863.23	3,863.23	46,726.46
8/1/2045	41,000.00	4.250%	3,034.48	44,034.48	
2/1/2046			3,034.48	3,034.48	47,068.96
8/1/2046	43,000.00	4.250%	2,163.23	45,163.23	
2/1/2047			2,163.23	2,163.23	47,326.46
8/1/2047	45,000.00	4.250%	1,249.48	46,249.48	
2/1/2048			1,249.48	1,249.48	47,498.96
8/1/2048	13,799.00	4.250%	293.23	14,092.23	14,092.23
	766,799.00		566,494.04	1,333,293.04	1,333,293.04

Bond Debt Service
Christian Valley Park Community Service District
2020 Water Revenue Bonds - Gayle Loop
Direct Placement
Preliminary Numbers

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
8/1/2020	0.00	2.66%	0.00	0.00	
2/1/2021	13,063.66	2.66%	12,584.46	25,648.12	25,648.12
8/1/2021	13,237.41	2.66%	8,923.45	22,160.86	
2/1/2022	13,413.47	2.66%	8,747.40	22,160.86	44,321.73
8/1/2022	13,591.87	2.66%	8,569.00	22,160.86	
2/1/2023	13,772.64	2.66%	8,388.22	22,160.86	44,321.73
8/1/2023	13,955.81	2.66%	8,205.05	22,160.86	
2/1/2024	14,141.43	2.66%	8,019.44	22,160.86	44,321.73
8/1/2024	14,329.51	2.66%	7,831.36	22,160.86	
2/1/2025	14,520.09	2.66%	7,640.77	22,160.86	44,321.73
8/1/2025	14,713.21	2.66%	7,447.66	22,160.86	
2/1/2026	14,908.89	2.66%	7,251.97	22,160.86	44,321.73
8/1/2026	15,107.18	2.66%	7,053.68	22,160.86	
2/1/2027	15,308.11	2.66%	6,852.76	22,160.86	44,321.73
8/1/2027	15,511.70	2.66%	6,649.16	22,160.86	
2/1/2028	15,718.01	2.66%	6,442.85	22,160.86	44,321.73
8/1/2028	15,927.06	2.66%	6,233.80	22,160.86	
2/1/2029	16,138.89	2.66%	6,021.97	22,160.86	44,321.73
8/1/2029	16,353.54	2.66%	5,807.33	22,160.86	
2/1/2030	16,571.04	2.66%	5,589.82	22,160.86	44,321.73
8/1/2030	16,791.43	2.66%	5,369.43	22,160.86	
2/1/2031	17,014.76	2.66%	5,146.10	22,160.86	44,321.73
8/1/2031	17,241.06	2.66%	4,919.81	22,160.86	
2/1/2032	17,470.36	2.66%	4,690.50	22,160.86	44,321.73
8/1/2032	17,702.72	2.66%	4,458.15	22,160.86	
2/1/2033	17,938.16	2.66%	4,222.70	22,160.86	44,321.73
8/1/2033	18,176.74	2.66%	3,984.12	22,160.86	
2/1/2034	18,418.49	2.66%	3,742.37	22,160.86	44,321.73
8/1/2034	18,663.46	2.66%	3,497.40	22,160.86	
2/1/2035	18,911.68	2.66%	3,249.18	22,160.86	44,321.73
8/1/2035	19,163.21	2.66%	2,997.66	22,160.86	
2/1/2036	19,418.08	2.66%	2,742.78	22,160.86	44,321.73
8/1/2036	19,676.34	2.66%	2,484.52	22,160.86	
2/1/2037	19,938.03	2.66%	2,222.83	22,160.86	44,321.73
8/1/2037	20,203.21	2.66%	1,957.65	22,160.86	
2/1/2038	20,471.91	2.66%	1,688.95	22,160.86	44,321.73
8/1/2038	20,744.19	2.66%	1,416.67	22,160.86	
2/1/2039	21,020.09	2.66%	1,140.78	22,160.86	44,321.73
8/1/2039	21,299.65	2.66%	861.21	22,160.86	
2/1/2040	21,582.94	2.66%	577.92	22,160.86	44,321.73
8/1/2040	21,869.99	2.66%	290.87	22,160.86	22,160.86
	684,000.00		205,921.76	889,921.76	889,921.76

Bond Debt Service
Christian Valley Park Community Service District
2020 Water Revenue Bonds - Gayle Loop
Direct Placement
Preliminary Numbers

Period Ending	Principal	Coupon	Interest	Debt Service
2/1/2021	13,063.66	2.660%	12,584.46	25,648.12
2/1/2022	26,650.88	2.660%	17,670.85	44,321.73
2/1/2023	27,364.50	2.660%	16,957.22	44,321.73
2/1/2024	28,097.24	2.660%	16,224.49	44,321.73
2/1/2025	28,849.60	2.660%	15,472.13	44,321.73
2/1/2026	29,622.10	2.660%	14,699.63	44,321.73
2/1/2027	30,415.29	2.660%	13,906.44	44,321.73
2/1/2028	31,229.71	2.660%	13,092.01	44,321.73
2/1/2029	32,065.95	2.660%	12,255.78	44,321.73
2/1/2030	32,924.57	2.660%	11,397.15	44,321.73
2/1/2031	33,806.19	2.660%	10,515.53	44,321.73
2/1/2032	34,711.42	2.660%	9,610.31	44,321.73
2/1/2033	35,640.88	2.660%	8,680.84	44,321.73
2/1/2034	36,595.23	2.660%	7,726.49	44,321.73
2/1/2035	37,575.14	2.660%	6,746.59	44,321.73
2/1/2036	38,581.28	2.660%	5,740.44	44,321.73
2/1/2037	39,614.37	2.660%	4,707.35	44,321.73
2/1/2038	40,675.12	2.660%	3,646.60	44,321.73
2/1/2039	41,764.27	2.660%	2,557.45	44,321.73
2/1/2040	42,882.59	2.660%	1,439.13	44,321.73
2/1/2041	21,869.99	2.660%	290.87	22,160.86
	684,000.00		205,921.76	889,921.76
			205,921.76	889,921.76

Savings
Christian Valley Park Community Service District
2020 Water Revenue Bonds - Gayle Loop
Direct Placement
Preliminary Numbers

Date	Prior Debt Service	Refunding Receipts	Refunding Debt Service	Savings	PV Factor	Present Value to 5/22/2020 @ 2.66%
8/1/2020	30,294.48	9,910.61	0.00	20,383.87	0.99492753	20,280.47
2/1/2021	16,294.48		25,648.12	(9,353.64)	0.98193405	(9,184.66)
8/1/2021	30,996.98		22,160.86	8,836.12	0.96927558	8,564.63
2/1/2022	15,996.98		22,160.86	(6,163.88)	0.95693933	(5,898.46)
8/1/2022	31,678.23		22,160.86	9,517.37	0.94491314	8,993.08
2/1/2023	15,678.23		22,160.86	(6,482.63)	0.93318548	(6,049.50)
8/1/2023	31,338.23		22,160.86	9,177.37	0.92174536	8,459.19
2/1/2024	15,338.23		22,160.86	(6,822.63)	0.91058233	(6,212.57)
8/1/2024	31,998.23		22,160.86	9,837.37	0.89968646	8,850.55
2/1/2025	14,998.23		22,160.86	(7,162.63)	0.88904826	(6,367.93)
8/1/2025	32,636.98		22,160.86	10,476.12	0.87865870	9,204.93
2/1/2026	14,636.98		22,160.86	(7,523.88)	0.86850916	(6,534.56)
8/1/2026	33,254.48		22,160.86	11,093.62	0.85859142	9,524.88
2/1/2027	14,254.48		22,160.86	(7,906.38)	0.84889764	(6,711.71)
8/1/2027	32,850.73		22,160.86	10,689.87	0.83942030	8,973.29
2/1/2028	13,850.73		22,160.86	(8,310.13)	0.83015224	(6,898.68)
8/1/2028	33,446.98		22,160.86	11,286.12	0.82108660	9,266.88
2/1/2029	13,446.98		22,160.86	(8,713.88)	0.81221682	(7,077.56)
8/1/2029	34,021.98		22,160.86	11,861.12	0.80353663	9,530.84
2/1/2030	13,021.98		22,160.86	(9,138.88)	0.79504001	(7,265.78)
8/1/2030	34,575.73		22,160.86	12,414.87	0.78672120	9,767.04
2/1/2031	12,575.73		22,160.86	(9,585.13)	0.77857466	(7,462.74)
8/1/2031	35,108.23		22,160.86	12,947.37	0.77059512	9,977.18
2/1/2032	12,108.23		22,160.86	(10,052.63)	0.76277748	(7,667.92)
8/1/2032	35,619.48		22,160.86	13,458.62	0.75511686	10,162.83
2/1/2033	11,619.48		22,160.86	(10,541.38)	0.74760859	(7,880.83)
8/1/2033	36,109.48		22,160.86	13,948.62	0.74024816	10,325.44
2/1/2034	11,109.48		22,160.86	(11,051.38)	0.73303124	(8,101.01)
8/1/2034	36,578.23		22,160.86	14,417.37	0.72595369	10,466.34
2/1/2035	10,578.23		22,160.86	(11,582.63)	0.71901150	(8,328.05)
8/1/2035	37,025.73		22,160.86	14,864.87	0.71220083	10,586.77
2/1/2036	10,025.73		22,160.86	(12,135.13)	0.70551797	(8,561.56)
8/1/2036	37,451.98		22,160.86	15,291.12	0.69895937	10,687.87
2/1/2037	9,451.98		22,160.86	(12,708.88)	0.69252157	(8,801.18)
8/1/2037	38,856.98		22,160.86	16,696.12	0.68620129	11,456.90
2/1/2038	8,856.98		22,160.86	(13,303.88)	0.67999533	(9,046.58)
8/1/2038	39,219.48		22,160.86	17,058.62	0.67390062	11,495.81
2/1/2039	8,219.48		22,160.86	(13,941.38)	0.66791418	(9,311.65)
8/1/2039	39,560.73		22,160.86	17,399.87	0.66203317	11,519.29
2/1/2040	7,560.73		22,160.86	(14,600.13)	0.65625482	(9,581.41)
8/1/2040	39,880.73		22,160.86	17,719.87	0.65057646	11,528.13
2/1/2041	6,880.73			6,880.73	0.64499553	4,438.04
8/1/2041	41,179.48			41,179.48	0.63950954	26,334.67
2/1/2042	6,179.48			6,179.48	0.63411608	3,918.51
8/1/2042	41,435.73			41,435.73	0.62881283	26,055.32
2/1/2043	5,435.73			5,435.73	0.62359756	3,389.71
8/1/2043	42,670.73			42,670.73	0.61846808	26,390.48
2/1/2044	4,670.73			4,670.73	0.61342229	2,865.13
8/1/2044	42,863.23			42,863.23	0.60845818	26,080.48
2/1/2045	3,863.23			3,863.23	0.60357376	2,331.74
8/1/2045	44,034.48			44,034.48	0.59876714	26,366.40
2/1/2046	3,034.48			3,034.48	0.59403647	1,802.59
8/1/2046	45,163.23			45,163.23	0.58937996	26,618.30
2/1/2047	2,163.23			2,163.23	0.58479589	1,265.05
8/1/2047	46,249.48			46,249.48	0.58028258	26,837.77
2/1/2048	1,249.48			1,249.48	0.57583840	719.50
8/1/2048	14,092.23			14,092.23	0.57146177	8,053.17
	1,333,293.04		889,921.76	433,460.66		280,144.86

Savings Summary

PV of savings from cash flow	280,144.86
Less: District Cash	(175,727.00)
Plus: Refunding Cash on Hand	44,456.40
Net PV Savings	148,874.26

Cost of Issuance
Christian Valley Park Community Service District
2020 Water Revenue Bonds - Gayle Loop
Direct Placement
Preliminary Numbers

Cost of Issuance	Amount
Municipal Advisor	5,000.00
Bond Counsel & Expenses	25,000.00
Bank Counsel	8,500.00
CDIAC	171.00
	<hr/>
	38,671.00
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Summary of Refunding Results
Christian Valley Park Community Service District
2020 Water Revenue Bonds - Gayle Loop
Direct Placement
Preliminary Numbers

Dated Date	5/22/2020
Delivery Date	5/22/2020
Arbitrage yield	2.660000%
Bond Par Amount	684,000.00
True Interest Cost	2.660000%
Net Interest Cost	2.660000%
Average Coupon	2.660000%
Average Life	11.318
Par amount of refunded bonds	766,799.00
Average coupon of refunded bonds	4.250000%
Average life of refunded bonds	16.584
PV of prior debt to 5/22/2020 @ 2.66%	997,460.86
Net PV Savings	148,874.26
Percentage savings of refunded bonds	19.415030%
Percentage savings of refunding bonds	21.765243%

Debt Service Reserve Verification
Christian Valley Park Community Service District
2020 Water Revenue Bonds - Gayle Loop
Direct Placement
Preliminary Numbers

<u>Cost of Issuance</u>	<u>Amount</u>
10% of Par Amount	68,400.00
100% of Maximum Annual Debt Service	44,321.73
125% of Average Annual Adjusted Debt Service	52,971.53
Actual Debt Service Reserve	44,000.00
<u>RESULT</u>	<u>PASS</u>