

# Agenda

## Sacramento Suburban Water District

### Special Board Meeting

3701 Marconi Avenue, Suite 100  
Sacramento, California 95821

Monday, December 20, 2021  
6:00 p.m.

**This meeting will be conducted both in-person in the District's Boardroom at the address above, and by videoconference and teleconference using the information provided below. The public is invited to listen, observe, and provide comments during the meeting by any method provided. The President will call for public comment on each agenda item at the appropriate time and all votes will be taken by roll call.**

**The District recommends that members of the public participate in public meetings via videoconference and/or teleconference per the instructions below.**

**For members of the public interested in viewing and having the ability to comment at the public meeting via Zoom, an internet enabled computer equipped with a microphone and speaker or a mobile device with a data plan is required. Use of a webcam is optional. You also may call in to the meeting using teleconference without video. Please use the following login information for videoconferencing or teleconferencing:**

**Join the meeting from a computer, tablet or smartphone:**

<https://us02web.zoom.us/j/82583604289?pwd=TW1sYkRQTDk1dm4vQjdsOVJkNUFuUT09>

**Meeting ID:** 825 8360 4289

**Password:** 247658

**You can also dial in using your phone:** 1 (669) 900-6833

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Zoom uses encryption of data during Zoom meetings. The District uses a secure password to restrict access to scheduled meetings. The meeting host has control of content sharing, recording, and chat.

**Please mute your line.**

Where appropriate or deemed necessary, the Board may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to the General Manager. The President will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 916.679.3972. Requests must be made as early as possible and at least one full business day before the start of the meeting.

**Call to Order**

**Roll Call**

**Announcements**

**Public Comment**

This is the opportunity for the public to comment on non-agenda items within the Board's jurisdiction. Comments are limited to 3 minutes.

**Items for Discussion and/or Action**

1. Potential Refunding Opportunity – 2012A Refunding Revenue Bonds  
*Recommendation: Direct staff to work with the firms noted below in preparing the documentation and analysis necessary for the Board to consider refinancing the District's \$29.2 million Series 2012A fixed rate taxable Refunding Revenue Bonds (~\$8.67 million outstanding) with a new 6 year fixed rate tax-exempt refunding (Series 2022B), in an approximate par amount of \$8.2 million, including estimated issuing costs of \$0.1 million and estimated underwriters discount of \$25,000. Bring results to the January 2022 Board meeting. Also approve the services of the following firms – Citigroup Global Markets Inc. as Underwriter and Investment Banker; Stradling Yocca Carlson & Rauth, A Professional Corporation as Bond Counsel; Bartkiewicz, Kronick, & Shanahan, A Professional Corporation as General Counsel; Fieldman, Rolapp & Associates as Financial Advisor, and U.S. Bank, N.A. as Trustee; and where appropriate such other firms necessary to complete a potential 2012A Refunding Revenue Bonds refunding.*

**Adjournment**

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**Upcoming Meetings**

Wednesday, December 29, 2021, at 4:30 p.m., Special Board Meeting

Wednesday, January 5, 2022, at 4:30 p.m., Special Board Meeting

Monday, January 10, 2022, at 4:30 p.m., Special Board Meeting

Monday, January 24, 2022, at 5:45 p.m., Financing Corporation Meeting

Monday, January 24, 2022, at 6:00 p.m., Regular Board Meeting

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I certify that the foregoing agenda for the December 20, 2021, meeting of the Sacramento Suburban Water District Board of Directors was posted by December 19, 2021, in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was freely available to the public.

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Dan York  
General Manager/Secretary  
Sacramento Suburban Water District



## Agenda Item: 1

**Date:** December 20, 2021

**Subject:** Potential Refunding Opportunity – 2012A Refunding Revenue Bonds

**Staff Contact:** Jeffery S. Ott, Director of Finance and Administration

### Recommended Board Action:

1. Direct staff to work with the firms noted below in preparing the documentation and analysis necessary for the Board to consider refinancing the District's \$29.2 million Series 2012A fixed rate taxable Refunding Revenue Bonds (~\$8.67 million outstanding) with a new 6 year fixed rate tax-exempt refunding (Series 2022B), in an approximate par amount of \$8.2 million, including estimated issuing costs of \$0.1 million and estimated underwriters discount of \$25,000. Bring results to the January 2022 Board meeting.
2. Approve the services of the following firms – Citigroup Global Markets Inc. as Underwriter and Investment Banker; Stradling Yocca Carlson & Rauth, A Professional Corporation as Bond Counsel; Bartkiewicz, Kronick, & Shanahan, A Professional Corporation as General Counsel; Fieldman, Rolapp & Associates as Financial Advisor, and U.S. Bank, N.A. as Trustee; and where appropriate such other firms necessary to complete a potential 2012A Refunding Revenue Bonds refunding.

### Summary:

Due to the current market rate environment, there is an opportunity to current refund the 2012A fixed rate taxable Revenue Bonds (\$29.2 million PAR, ~ \$8.67 million outstanding) with fixed rate, tax-exempt debt. The District's Financial Advisor Fieldman, Rolapp & Associates (Fieldman) analyzed a scenario combining the refunding of both the 2009A COPs and the 2012A Refunding Revenue Bonds. The 2012A refunding Revenue Bonds are redeemable on or after November 1, 2022. Additionally, the District may issue the refunding debt along with the 2009A refunding with a tax-exempt forward delivery structure on or after August 1, 2022. Fieldman's analysis, estimated and based on recent market conditions, of this refunding indicates a positive NPV savings of approximately \$594,000. This refunding accomplishes a single objective of reducing overall debt service for the 2012A debt. This matter is time sensitive and is being brought to the full Board for discussion and direction. Therefore, it was not brought before the Finance and Audit Committee.

### Background:

The District entered into an interest rate swap agreement, in April of 2005, to create a "synthetically fixed" long-term borrowing cost for \$79 million in variable-rate debt. The objective of this financial strategy was to achieve a lower borrowing cost than traditional fixed-rate debt.

In April of 2012, the District reduced the amount of the interest rate swap and converted a related portion of variable-rate debt to fixed-rate bonds (Series 2012A with a \$29.2 million PAR value). The District left \$33.3 million of the interest rate swap in place, maintaining the synthetically-fixed rate strategy for a like amount of its \$42.0 million variable-rate 2009A Certificates of Participation (“COPs” or “Certificates”).

**Discussion:**

Staff directed Fieldman to analyze refinancing the 2012A issuance given the low interest rates currently in the market. Since these bonds have an optional redemption date on or after November 1, 2022 the District could issue new debt with a 2009A refinancing for forward delivery on or after August 1, 2022. Based on analysis performed, staff and Fieldman believe it to be in the District’s best interest to continue to pursue the refinancing of the 2012A issuance with tax-exempt or taxable debt. Staff have prepared the following scenario #3 (Attachment 1) for review and discussion:

- 1) This scenario analyzes refunding both the 2009A and the 2012A issuances and assumes the reset rates for the 2009A debt move to 0.45% in 2023 and remain through 11/1/2034 (full maturity). This is based on the average reset rate of 0.40% since the certificates were issued in 2009. Utilizing the same current market rates as in December 20, 2021, Regular Meeting Agenda Item #15, Scenario # 1, with a forward delivery premium of 0.25%, this would result in annual average cash flow savings of ~\$64,000 over the remaining 13-year period and NPV savings of ~\$784,000 or 1.55%. This assumes the District chooses to cash fund the swap termination expense of approximately \$6.6 million and issue additional debt to fund capital projects.

For the 2009A debt, \$37.1 million in new debt with a coupon rate of 5.0% would result in approximately \$17.1 million in total fixed interest charges through the remaining term of the bonds (13 years). Over the past 5 years (2015 – 2021), the District on average has paid \$1.38 million in variable rate debt interest and fees per year. At a 10-year average remaining maturity, the district would pay approximately \$4.7 million more in interest but pay \$4.9 million less in principal.

For the 2012A debt, \$8.2 million in new debt with a coupon rate of 5% would result in approximately \$1.0 million in total fixed interest charges for the remaining term of the bonds (6 years). Over the remaining maturity, the District would pay approximately \$0.1 million less in interest and \$0.5 million less in principal.

If the Board approves the staff recommendation from the December 20, 2021, Regular Board Meeting, Agenda Item #15 (Potential Refunding Opportunity – 2009A Adjustable Rate Certificates of Participation), staff is requesting approval from the Board to also pursue the refinancing of \$29.2 million (\$8.67 million outstanding) fixed rate Refunding Revenue Bonds (2012A) with approximately \$8.2 million of new fixed rate debt.

**Fiscal Impact:**

The savings realized on the 2009A refinance will depend on how short-term variable rates move in the future. The independent analysis estimates a range of savings from approximately \$100,000

to approximately \$700,000 over the remaining life of the 2009A debt. Interest expense will increase but is offset by a decrease in principal debt payouts. The District will be relieved of the associated risks and potential costs of the swap agreement. The gross savings realized on the 2012A refinance is approximately \$612,000. The District's par value long-term debt should decrease by approximately \$5.4 million as a result of both refinances. The costs associated with preparing a debt issuance in the event the market turns negative and the refinance no longer has an estimated economic advantage, which would be approximately \$35,000 to \$50,000.

**Strategic Plan Alignment:**

Goal C: Ensure Fiscal Responsibility and Affordable Rates

**Attachments:**

- 1) Refinance scenario #3
- 2) Presentation