

# Bond Sale and Debt Refinance Update

El Dorado Irrigation District  
June 22, 2020

# Previous Board Actions

- ▶ September 8, 2014 - Board adopted resolution of intent to issue debt to fund capital improvement projects
- ▶ October 14, 2014 - Board adopted amending resolution of intent to include Esmeralda Tunnel repair in projects eligible for debt funding
- ▶ October 15, 2019 - Board adopted 2020-2024 Capital Improvement Plan (CIP)
- ▶ December 9, 2019 - Board adopted 2019-2020 Mid-Cycle Operating Budget and 2020-2024 Financial Plan

# Previous Board Actions continued

- ▶ May 26, 2020 - Board authorized the issuance of not to exceed \$70,000,000 aggregate principal amount of revenue certificates of participation, and the execution and delivery of not to exceed \$160,000,000 aggregate principal amount refunding revenue bonds

# Summary of Issue

- ▶ Received direction from the Board to proceed
  - ▶ Pursue new money issue to fund
    - ▶ Folsom Lake Intake Improvement Project
    - ▶ Main Ditch Piping Project
    - ▶ Several flume replacements
  - ▶ Pursue refinancing of
    - ▶ State Revolving Fund (SRF) loans
    - ▶ Existing Certificates of Participation where economically feasible
  - ▶ Very successful bond refinancing transactions
    - ▶ Net Present Value savings \$11.8 million

# Results

- ▶ June 9, 2020
  - ▶ District received credit ratings
  - ▶ S&P Global
    - ▶ Stable Outlook
    - ▶ New 2020 issues - rated AA-
    - ▶ Existing issues - affirmed rating of AA-
  - ▶ Moody's Investor Service
    - ▶ Stable Outlook
    - ▶ New 2020 issues - rated Aa3
    - ▶ Existing issues - affirmed rating of Aa3

# Results

- ▶ Credit Agency comments
  - ▶ Moody's Investor Service
    - ▶ Credit strengths
      - ▶ Sizable system size with a strong water supply
      - ▶ Management's commitment to adopting annual rate increases
      - ▶ Healthy debt annual debt service coverage and liquidity
    - ▶ Credit challenges
      - ▶ Elevated leverage
      - ▶ Above-average operating ratio

# Results

- ▶ Credit Agency comments

- ▶ S&P Global

- ▶ Upside scenario

- “We could take a positive rating action if the district is able to outperform its financial forecast and mitigate the downside risk associated with its hydroelectric revenues and facility capacity charges.”*

- ▶ Downside scenario

- “We could take a negative rating action if the district’s financial performance falls below its forecast, particularly if coverage metrics are near or below 1.0x for a sustained period or if cash balances materially decline from current levels.”*

# Results

- ▶ Credit Agency comments

- ▶ S&P Global

- ▶ Operational management assessment

- “...we view the district to be a ‘1’ on a scale of 1-6, with ‘1’ being the strongest. This indicates, in our view, the strongest alignment of operations and organizational goals.”*

- ▶ Financial management assessment

- “...we view the district to be a ‘2’ on a six-point scale, with ‘1’ being the strongest. We believe that the district’s practices are reasonable. The district’s strengths include management’s regular updates to multiyear financial and capital plans that are updated annually in conjunction with the budgeting process...”*



# Results

- ▶ June 10-22, 2020
  - ▶ Finance team worked on structure of new debt
  - ▶ Marketing strategies
  - ▶ Updates/edits of Preliminary Official Statement

# Results

- ▶ June 15, 2020 Marketed Bond Issues
  - ▶ Orders of \$677 million (3.5x of offering)
  - ▶ 42 investor orders from large insurance companies, mutual fund companies, asset managers and individuals
  - ▶ Based on amount of orders interest rates were lowered resulting in additional savings
  - ▶ Combined All-In True Interest Cost (TIC) for all 3 issues - 2.622972%
  - ▶ \$75 million in project funds

# Results

- ▶ June 15, 2020 Marketed Bond Issues continued
  - ▶ Refinanced SRF loans and \$112.8 million of outstanding bonds
  - ▶ Annual cash flow savings of \$0.7-\$1.4 million per year which will offset lower than expected hydroelectric generation revenue in the future
  - ▶ Favorable, but cautious, comments from both rating agencies including S&P Global's operational and financial management assessments
  - ▶ Bond closing on June 23, 2020

# Results

## ▶ New Money Issue 2020A

### Sources

▶ Par amount of bonds	\$61.1 million
▶ Premium on bonds	<u>14.2</u>
	\$75.3

### Uses

▶ Project funds	\$75.0
▶ Cost of issuance	.1
▶ Underwriter's discount	<u>.2</u>
	\$75.3

All-In True Interest Cost - **2.816860%**

# Results

## ▶ Refunding Revenue Bonds 2020B - SRF loans

### Sources

▶ Par amount of bonds	\$5.6 million
▶ Premium on bonds	1.0
▶ SRF loan funds on hand	<u>3.1</u>
	\$9.7

### Uses

▶ SRF payoff	\$9.6
▶ Cost of issuance/discount	<u>.1</u>
	\$9.7

All-In True Interest Cost - **0.646214%**

# Results

## ▶ Refunding Revenue Bonds 2020C-taxable

Series 2012A, Series 2012B and Series 2014A

### Sources

▶ Par amount of bonds	\$129.0 million
▶ Contributions	<u>3.3</u>
	\$132.3

### Uses

▶ Deposits to defeasance escrow	\$131.7
▶ Cost of issuances	0.3
▶ Underwriter's discount	<u>0.3</u>
	\$132.3

All-In True Interest Cost - **2.478945%**

# Summary

- ▶ EID very successful in issuing new bonds and refinancing older debt
- ▶ Net Present Value savings of \$11.8 million
- ▶ Refinanced SRF loans and \$112.8 million of outstanding bonds
- ▶ Reduced refinanced debt annual payments by \$1.4 million per year for first ten years and by \$0.7 million for next ten years
- ▶ Savings from refinancing will offset lower than expected hydroelectric generation revenue in the future
- ▶ S&P Global's operational and financial management assessments were very favorable

# Board options

None - Information Only