

# Ukiah Valley Sanitation District

November 1, 2019

Presentation by Urban Futures, Inc.



# Public Offering vs. Private Placement



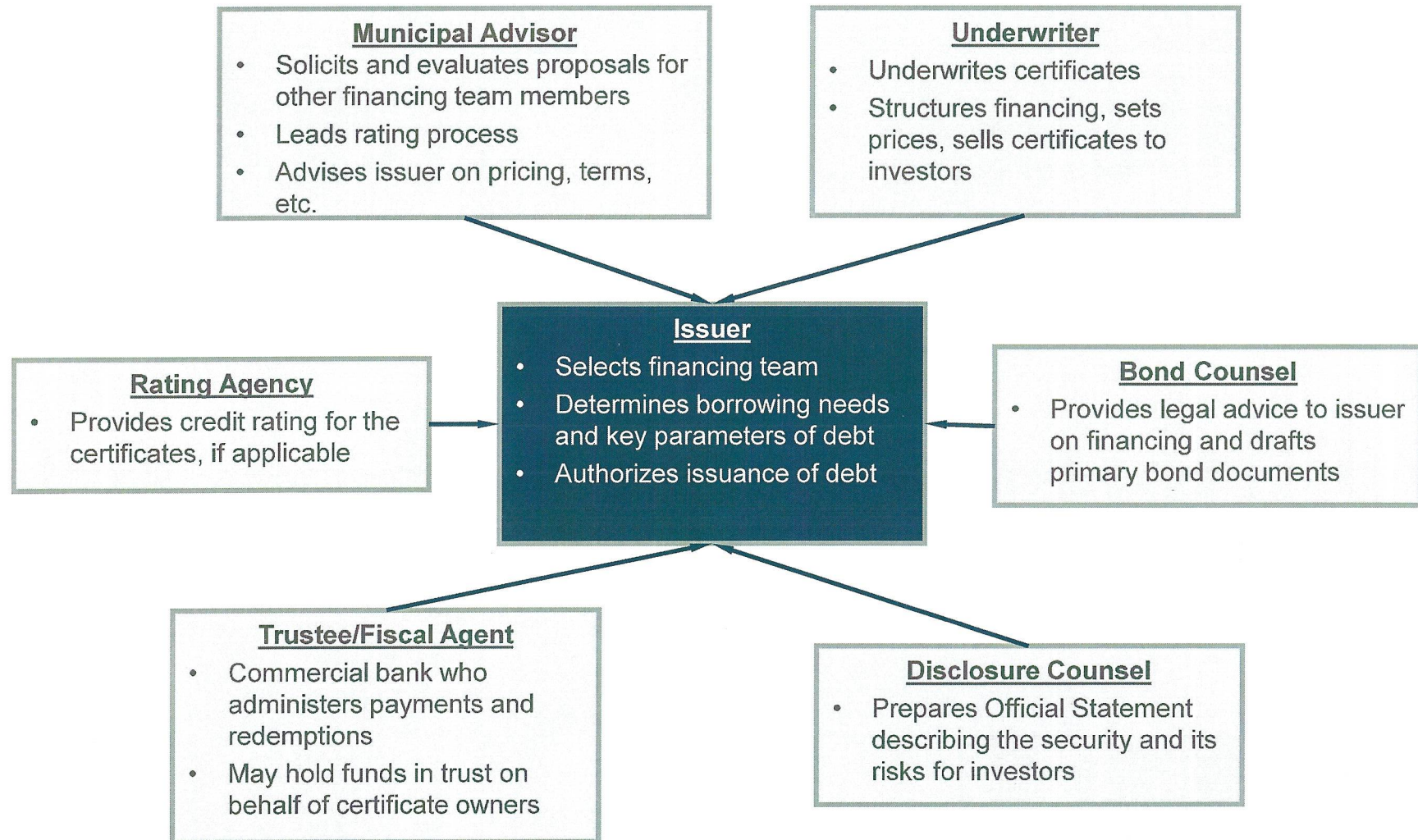
# Public Offering

---

- Public offering to multiple “lenders”
  - City can direct underwriter to set a retail priority order period for District ratepayers (i.e., local individual accredited investors are given priority over all other orders for a specified time period)
- Lower interest rate, higher transaction expenses than private placement
- Typically up to 30-year fixed rate term with optional redemption after no-call period (1-10 years)
- Not always cost-effective for smaller financings or shorter borrowing terms
- Required Board authorization of financing terms (maximum principal amount, maximum interest rate, term)

# Financing Team Members

---





# Public Offering Timeline

Date	Activity	Participants
<b>Week 1</b>	Draft Debt Management Policy	<b>MA/City</b>
<b>Week 2</b>	<b>Board meeting to approve Debt Management Policy</b>	<b>City</b>
<b>Week 2</b>	Kick-off meeting	<b>All</b>
<b>Week 4</b>	First draft of legal documents distributed	<b>BC</b>
<b>Week 5</b>	Conference call to discuss legal documents	<b>All</b>
<b>Week 6</b>	First draft of POS and BPA distributed	<b>DC/UWC</b>
	Revised draft of legal documents distributed	<b>BC</b>
<b>Week 7</b>	Conference call to discuss legal documents, POS and BPA	<b>All</b>
<b>Week 8</b>	Revised drafts of POS, legal documents, and BPA distributed	<b>DC</b>
	Submit CDIAC report about upcoming issuance	<b>BC</b>
	Submit staff reports, Resolutions, POS, legal documents, and BPA for Board Meeting	<b>MA/BC/City</b>
<b>Week 8</b>	First draft of credit presentation distributed	<b>MA/UW</b>
<b>Week 9</b>	Conference call to discuss POS and credit presentation	<b>All</b>
<b>Week 10</b>	<b>Board meeting to approve documents and financing</b>	<b>All</b>
<b>Week 10</b>	Revised draft of credit presentation and POS distributed	<b>MA/UW/DC</b>
	Distribute documents and seismic forms to S&P and bond insurers	<b>MA</b>
<b>Week 11</b>	"Dry run" of credit presentation	<b>All</b>
	Meeting with S&P	<b>All</b>
	Due diligence call	<b>All</b>
	Final comments on POS	<b>DC</b>
<b>Week 12</b>	Receive S&P rating	<b>City/MA</b>
	Receive bids from bond insurers	
<b>Week 12</b>	Post POS	<b>DC</b>
<b>Week 13</b>	Pre-pricing	<b>UW/MA/City</b>
	Pricing	
<b>Week 15</b>	Pre-closing	<b>All</b>
	Closing	

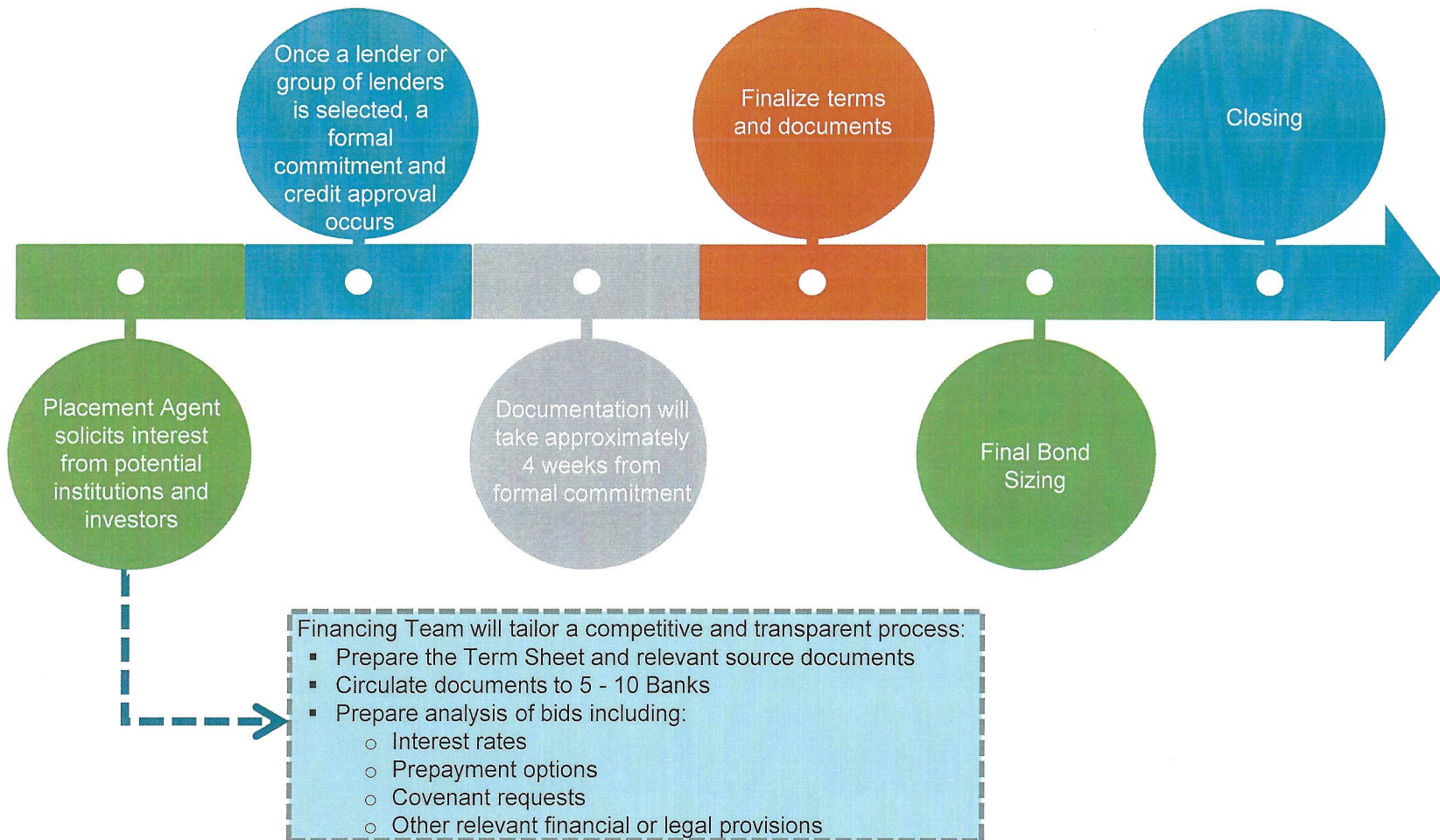
# Private Placement

---

- **Qualifying Conditions of a Private Placement**
  - Generally sold to a single or limited number of accredited investors
  - Offering must not be made through any form of general solicitation or advertising
  - Underwriter acts as Placement Agent on the transaction
  - Purchaser must have access to issuer information
- **Direct Purchases structured more like a commercial loan than a security**
  - Specific rate secured for specific maturity rather than varying serial/term rates through life of borrowing for fixed rate transactions
  - Term of borrowing shorter than public offering (15-20 years)
  - No underlying ratings necessary
  - No offering statements for the Certificates – No POS/OS
  - Limited transferability and secondary market trading



# Private Placement Timeline



# Private Placement Advantages/Disadvantages

---

## Advantages

- No ratings required
- Limited ongoing disclosure requirements which reduces liability of non-compliance
- Lower issuance cost (no POS/OS preparation costs or rating agency fees)
- Generally more negotiable and flexible with respect to payment frequency, call features, reduction or elimination of DSRF, covenant modifications, and fees
- Faster execution/less staff time required
- Rate locks (usually 30-60 days) mitigate interest rate risk

## Disadvantages

- Less uniform and clearly defined terms and covenants
- Short tenor of loans (generally less than 20 years)
- Constraints on amounts banks may be willing to loan may also be limiting
- Issuer must understand regulatory expectations for banks that offer direct lending
- Ancillary business requirements of some lenders
- Execution risk
- Interest rates are often higher compared to a public offering



# Refunding Scenarios



# Refunding Scenarios

---

- The 2006 Bonds can only be redeemed on an interest payment date (3/1 or 9/1) and a 30-day notice must be given to investors
  - In order to meet the 3/1/2020 call date, need to price/finalize bond sizing by the last week of January
- Savings are net of all financing costs
  - Public Offering: Assumes \$300,000 in costs of issuance and \$6.50/bond underwriter's discount
  - Private Placement: Assumes \$300,000 in costs of issuance (includes a placement agent fee—no underwriter's discount required)
- 10-Year Par Call
- Assumes District has already set aside funds for the 3/1/2020 debt service payment
- District's portion of unspent proceeds from the 2006 Bonds is contributed to the refinancing and District's portion of the debt to be refunded is assumed at 52%

# Refunding Scenarios

---

	Public Offering		Private Placement
	BBB Rated	A Rated	
<b>Par Amount</b>	\$ 23,645,000	\$ 21,470,000	\$ 26,480,000
<b>Final Maturity</b>	3/1/2036	3/1/2036	3/1/2036
<b>Debt Service Reserve Fund</b>	Cash (3-Prong Test)	Surety (3-Prong Test)	Cash (25% of MADS)
<b>Bond Insurance</b>	Yes	Yes	N/A
<b>Total Cash Flow Savings</b>	\$ 5,654,111	\$ 8,885,392	\$ 10,148,253
<b>Average Annual Savings</b>	\$ 353,382	\$ 555,337	\$ 634,266
<b>NPV Savings (\$)</b>	\$ 4,372,568	\$ 4,996,945	\$ 6,763,402
<b>NPV Savings (%)</b>	14.85%	16.97%	22.96%
<b>TIC</b>	2.67%	2.45%	1.73%



# Next Steps



## Next Steps

---

- District to issue audited financial statements for last five fiscal years
- Financing team analyzes whether it is more economical to proceed with public offering or private placement
  - If public offering, proceed with public offering timeline
  - If private placement, proceed with private placement timeline

# Regulatory Disclosure

---

**Disclosure of Conflicts of Interest and Legal or Disciplinary Events.** Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients and potential clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of Urban Futures, Inc. (“UFI”) and its associated persons.

**Conflicts of Interest. Compensation.** UFI represents that in connection with the issuance of municipal securities, UFI may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, UFI hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding UFI’s ability to provide unbiased advice to enter into such transaction. This conflict of interest will not impair UFI’s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

It should be noted that other forms of compensation (i.e. hourly or fixed fee based) may also present a potential conflict of interest regarding UFI’s ability to provide advice regarding a municipal security transaction. These other potential conflicts of interest will not impair UFI’s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

**Other Municipal Advisor Relationships.** UFI serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another UFI client. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, UFI could potentially face a conflict of interest arising from these competing client interests. UFI fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with its clients.

If UFI becomes aware of any additional potential or actual conflict of interest after this disclosure, UFI will disclose the detailed information in writing to the issuer or obligated person in a timely manner.

**Legal or Disciplinary Events.** UFI does not have any legal events or disciplinary history on UFI’s Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The Issuer may electronically access UFI’s most recent Form MA and each most recent Form MA-I filed with the Commission at the following website:

[www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html).

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory action is brought against UFI, UFI will provide complete disclosure to the Issuer in detail allowing the Issuer to evaluate UFI, its management and personnel.