



Becoming A “Debt”-I Master: Controlling Your Next Municipal Debt Issuance

Pre-Conference Session B

**Tuesday, February 15, 2022
10:15 am – 5:00 pm**

Panel Participants

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Agenda

	Slide Number
1. Considerations for Issuing Debt.....	4
2. Roles and Responsibilities of Team Members.....	18
3. Selecting Financing Team Members – The RFP Process....	29
4. Basic Types of Debt.....	32
5. Basic Legal Documents.....	39
6. Debt Structuring Considerations.....	47
7. Case Study – Western Municipal Water District.....	57
8. Credit Ratings.....	60
9. Method of Sale and Pricing Process.....	67
10. Debt Policy Best Practices.....	75
11. Investment and Tracking of Bond Proceeds.....	78
12. Continuing Disclosure.....	81
13. Investor Outreach.....	88
Appendix. Reference Materials.....	91



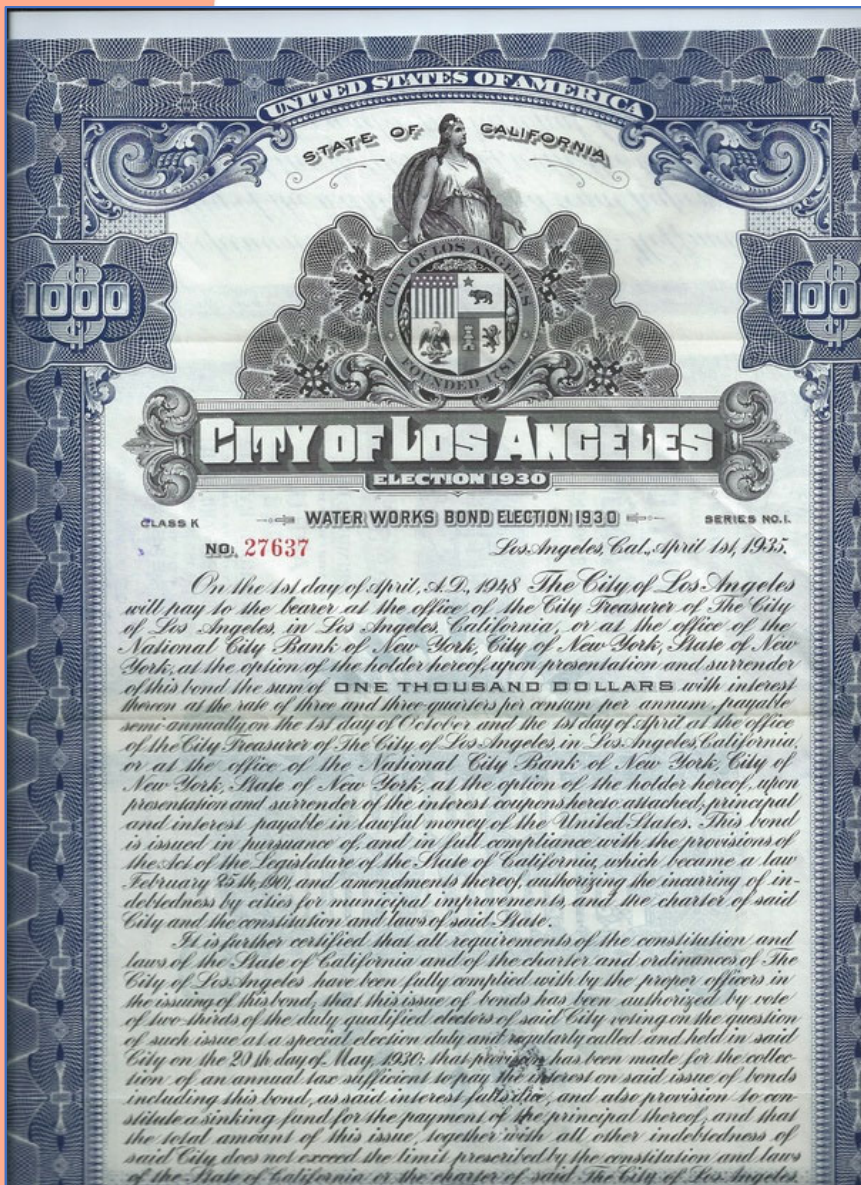
Considerations for Issuing Debt



What are municipal bonds?

- Stocks are **equity** investments (evidencing ownership of an entity). A public agency can't be owned, so bonds are **debt** investments in which an investor loans money to a borrower.
- The borrower “issues” bonds to evidence the obligation to repay the debt. Funds are borrowed for a defined period of time at a fixed or variable interest rate.
- Bonds are used by companies, municipalities, states, the federal government and foreign governments to finance a variety of projects and activities. Bonds issued by a city, county or special district are **municipal bonds**. Bonds issued by the Federal Government are **Treasury bonds**. Bonds issued by a corporation are **corporate bonds**.
- Bonds are commonly referred to as “fixed-income securities.”
- Each bond states the interest rate (coupon) that will be paid and when the loaned funds (bond principal) are to be repaid (maturity date).
- Interest on fixed rate bonds is typically paid every six months (semi-annually).





UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

No. R-

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WESTERN MUNICIPAL WATER DISTRICT FACILITIES AUTHORITY
WATER REVENUE BOND,
SERIES OF 2020A
(TAX-EXEMPT)

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP NUMBER
%	October 1,	July 8, 2020	95874T

REGISTERED OWNER: Cede & Co.

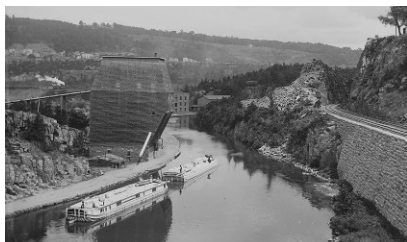
PRINCIPAL AMOUNT: DOLLARS

The WESTERN MUNICIPAL WATER DISTRICT FACILITIES AUTHORITY, a joint exercise of powers agency established pursuant to the laws of the State of California (the "Issuer"), for value received, hereby promises to pay to the registered owner specified above, or registered assigns, on the maturity date set forth above (subject to any right of prior redemption hereinafter mentioned), the principal sum set forth above, in lawful money of the United States of America; and to pay interest thereon, at the interest rate per annum set forth above, in like lawful money from and including the Interest Payment Date (capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture of Trust mentioned below) next preceding the date of authentication of this Bond unless this Bond is authenticated on an Interest Payment Date, the date of authentication, or unless such date of authentication shall be after a Record Date (as defined below) and prior to the following Interest Payment Date in which event it shall bear interest from and including such Interest Payment Date; provided, however, that if, at the time of authentication of this Bond, interest is in default or overdue on the Bonds, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid in full or made available for payment in full. The principal of, premium, if any, and interest on this Bond shall be payable in any coin or currency of the United States of America which on the respective dates of payment is legal tender for the payment of public and private debts. The principal of and redemption premium, if any, on this Bond shall be payable by check or draft to the Owner on the Maturity Date or prior redemption date upon presentation and surrender of this Bond at the Designated Office of the Trustee. The interest payable on this Bond on any Interest Payment Date shall be paid by the Trustee to the Owner



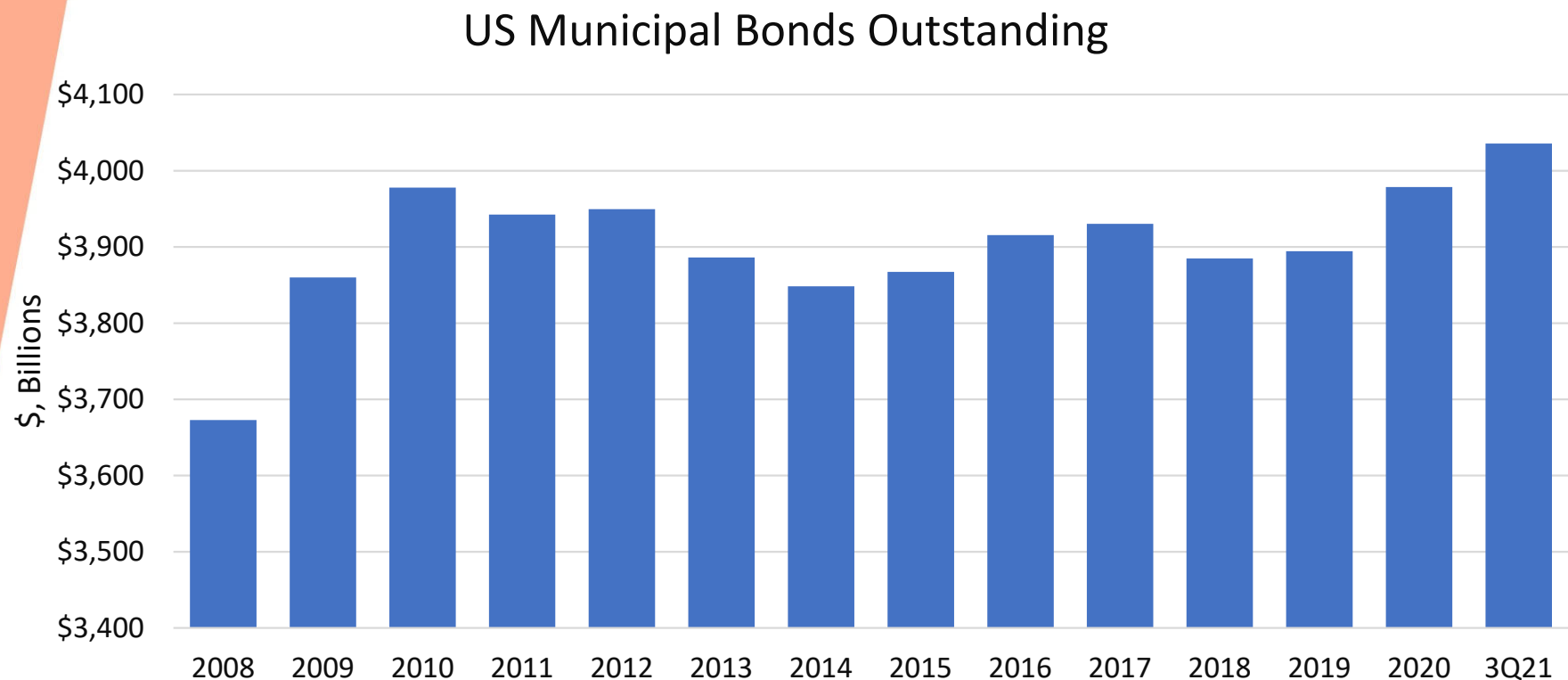
History of the Municipal Bond Market

- Municipal debt has existed since the early 1800s
 - The first ever recorded debt was issued by the City of New York in 1812 for construction of the Erie Canal
 - The growth in municipal debt in ensuing years occurred as a result of rapid urban development, free public education and railroads.
- Panic of 1837
 - A financial crisis that started a major recession which lasted until the mid-1840s
 - Several states found themselves unable to repay their municipal debt
 - This led to the first regulations within the municipal bond market
- Modern times
 - Tighter restrictions on municipal debt stabilized the municipal bond market, making municipal bonds a safer choice for investors
 - Further regulations help municipal bonds become a major source of capital to help build infrastructure throughout the United States.



Size of the Municipal Bond Market

- As of 3Q2021 the Federal Reserve reported \$4.0 trillion in outstanding municipal bonds, which marks a new all-time high

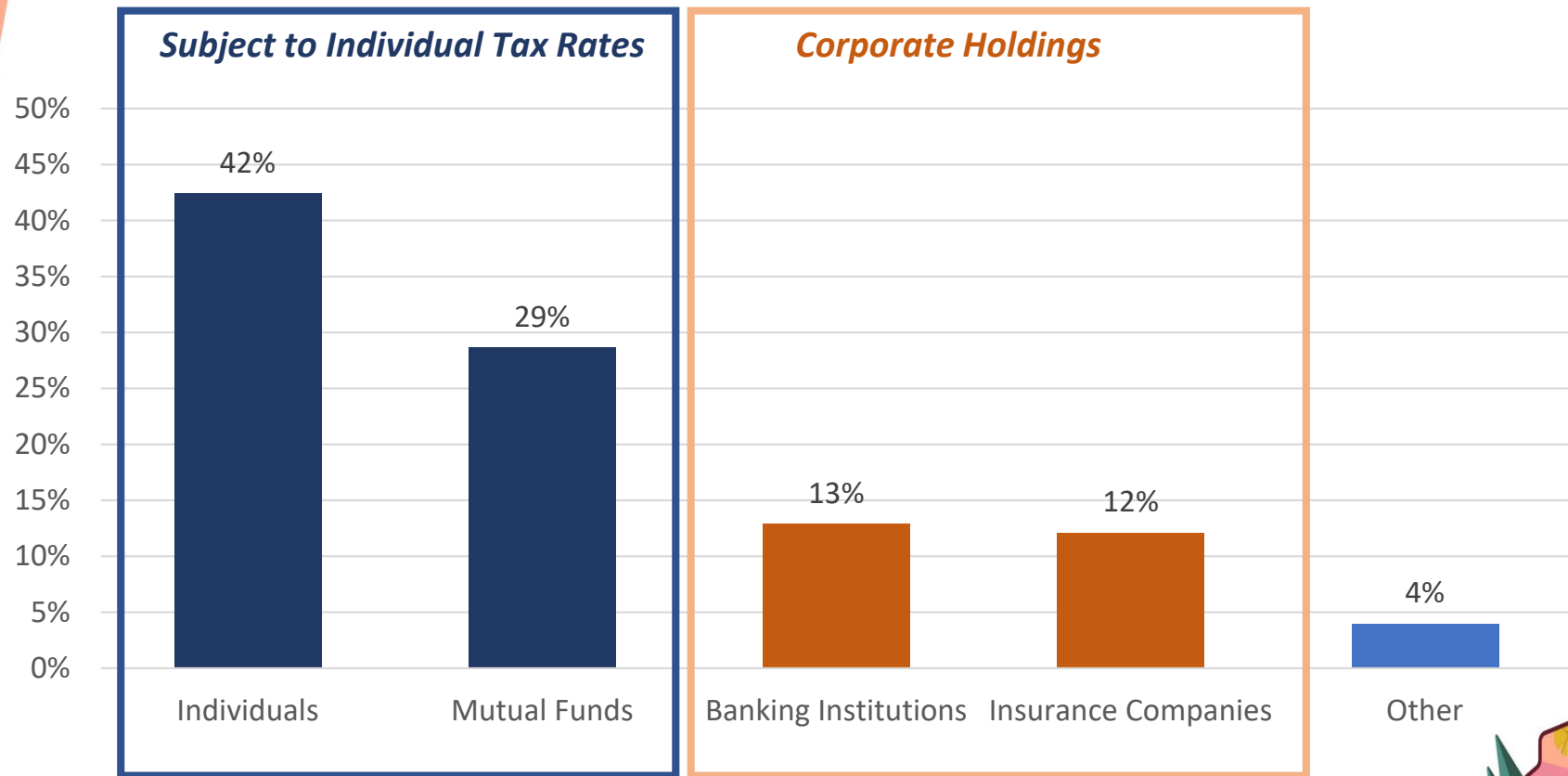


Source: The Federal Reserve

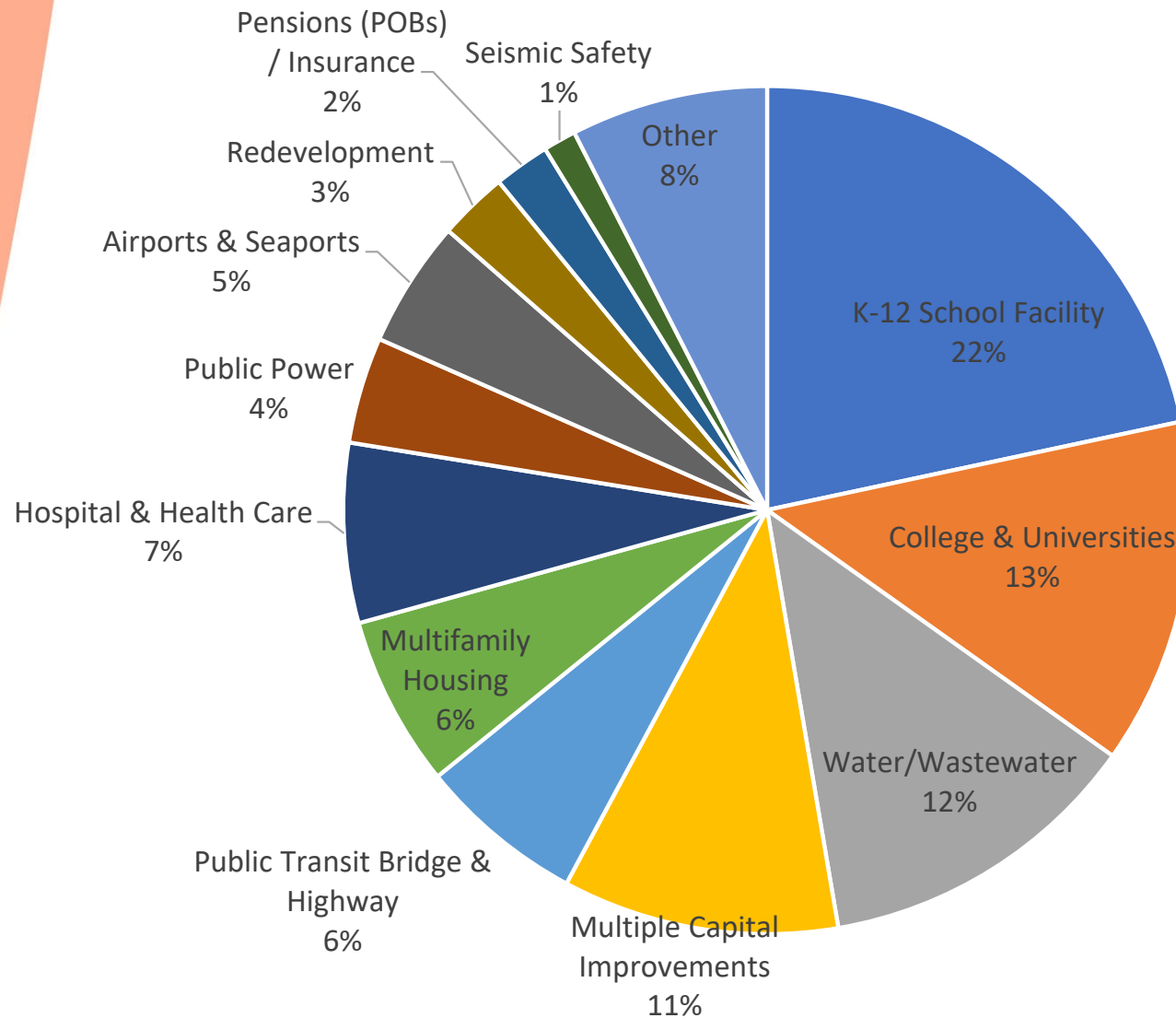


Who Holds Municipal Bonds

Proportion of Municipal Market Held by Investor Class



Historical California Debt Issuance by Purpose



Source: CDIAC data from 2012-2022



Funding Infrastructure Projects

- Let's say we decide to build a new wastewater treatment plant, which will cost around \$150 million. How can we pay for it?

Type of Funding	Advantages	Disadvantages
Pay-as-you-go Pay for capital projects as revenue is received or from existing sources (reserves)	<ul style="list-style-type: none"> • Future funds are not subject to debt service payments • Interest savings 	<ul style="list-style-type: none"> • Subject to limitations of the municipality's revenues • Long wait time for new infrastructure • Inflationary cost increases
Grants State and Federal grants	<ul style="list-style-type: none"> • Does not take away from any funding source 	<ul style="list-style-type: none"> • Competitive • Bureaucracy • Little structuring flexibility
Borrow Issue Debt	<ul style="list-style-type: none"> • Funds received when needed and borrowing structured as desired • Spreads cost over the useful life of the asset (intergenerational equity) 	<ul style="list-style-type: none"> • Covenants can reduce future flexibility • Interest cost of borrowing • Risk of default



Why Issue Municipal Bonds?

1. Municipal Bonds are usually **tax exempt**. For corporate bonds, investors are taxed on the interest they receive. Interest on municipal bonds is usually exempt from state and federal income taxes and therefore municipal bond interest rates are lower vs. similarly rated corporate taxable bonds
 - Generally, tax exempt bonds can only be issued to finance capital projects that are expected to be used for a governmental purpose.
 - No more than 10% of the proceeds of the bonds, measured on an annual basis and averaged over the life of the bonds, can be used by a private party.
 - More private business use may be allowed if no payments or de minimis payments are made by the private party.
2. Intergenerational equity – Current users / beneficiaries of a project are also the ones who pay for related debt service.
3. Time value of money – borrowing funds allows projects to begin sooner; mitigates construction cost inflation, increased property costs, etc.



Managing your Board of Directors/ City Council

- Suppose that your finance and legal team believe that issuing debt is your best option. Will your elected leadership approve the issuance? Consider hiring a Jedi Master (this is the debt you are looking for)
- Refinancing existing debt? New money? Both?
 - Refinancing due to 3-5% or more net present value savings? Easy
 - Refinancing due to difficulty paying annual debt service? Hard
 - New money? One or a few major, familiar projects? Easy-ish
 - New money? A dozen or so miscellaneous projects? Less easy – requires educational sessions (what, where, when, and who pays d/s)
- Financing Basics
 - Not all electees have the same background and experience with debt
 - Put your FA to work and dare them to use “regular guy/gal” language
 - Explain how governmental debt differs from a home mortgage
 - Philosophy of debt; electees role in the process



Managing your Board of Directors/ City Council

- Refer to your agency's Debt Management Policy
 - Purpose
 - Promotes objectivity in the decision-making process
 - Facilitates the financing process by establishing important policy decisions in advance
 - Provides continuity in process with staff / management changes
 - Key Components
 - Debt issuance philosophy, objectives and uses
 - Identification of repayment sources
 - System improvement vs. growth-related projects
 - Sufficient revenue for added O&M from the capital asset
 - Debt term \leq asset's useful life
 - Type of debt allowed
 - Paygo vs. debt
 - Refinancing NPV savings acceptable range
 - Competitive vs. negotiated sale vs. private placement vs. loans
 - Post issuance disclosure requirements



Managing your Board of Directors/ City Council

- Keys to Success
 - Education
 - Capital project summaries highlighting benefits (cost/rate savings; efficiencies)
 - Financing basics; bring the FA in for presentations and updates
 - Credit rating presentations (speaks *loudly* to have electees involved IF they can stay on message and are knowledgeable enough to add value)
 - Timeline for issuing debt
 - Time
 - Begin early with verbal communication during Finance Committee
 - Make updates at each future meeting so they feel part of the process
 - *Celebrate!*
 - Plenty of announcements post-issuance highlighting the financial stewardship of the electees (and that all this work ultimately benefits the tax/rate payer)
 - Press release (including pre-issuance release if you received a ratings upgrade)



Legal Authority to Issue Bonds

- Does a specific statute authorize your agency to issue bonds?
What are the restrictions and limitations in the statute?
- Do you need a taxpayer/ratepayer vote to issue bonds?
- Can your borrowing be structured as a contractual obligation rather than a debt obligation under California law?
- Your bond counsel will help answer these threshold questions.



California Constitutional Debt Limits and Exceptions

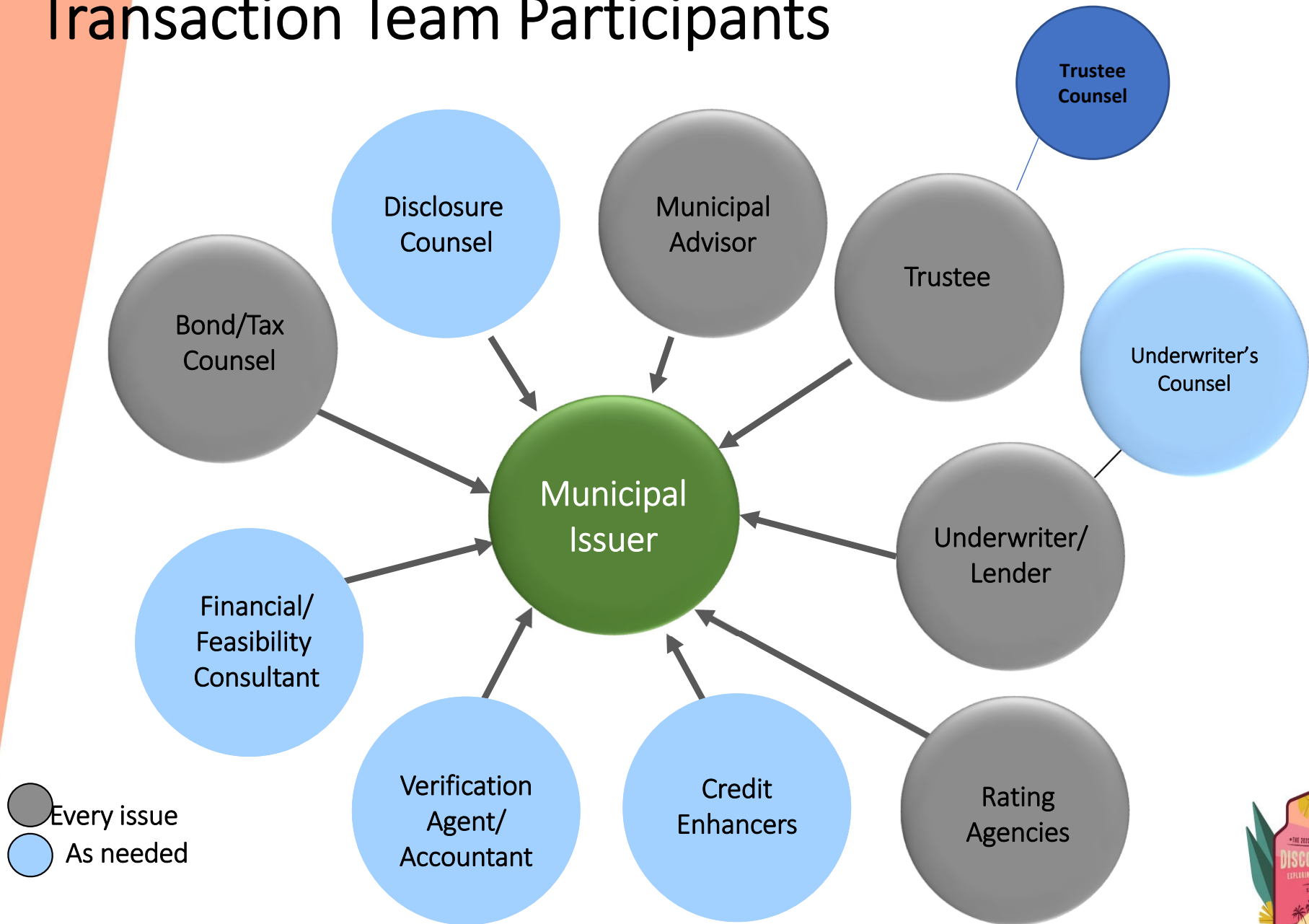
- State General Obligation Bonds require majority (50% + 1) voter approval.
- Bonds secured by ad valorem assessments on land require 67% voter approval.
- School Districts
 - Under Proposition 39, bonds can only be issued if authorized by a 55% majority vote.
 - Before Proposition 39 was passed in November 2000, bonds could only be issued if authorized by a 2/3rds majority vote.
- Exceptions
 - Abatement Lease (lease counterparty needed)
 - Special Fund (water, wastewater, electric utility revenue)
 - Imposed by law (e.g., judgment obligation bonds; pension obligation bonds)



Roles and Responsibilities of Team Members



Transaction Team Participants



Municipal Issuer

- **Public agencies**, such as states, school districts, special districts, cities or counties, raising capital through the sale of bonds are considered municipal issuers.
- Municipal issuers have the **authority to issue bonds**; that is, to borrow money from investors for capital projects or financial restructuring, with the repayment obligation evidenced by delivery of bonds.
- Bonds that are issued by a municipality are usually exempt from federal income tax and from state and local taxes if exemptions exist.
- Municipal issuers have various roles throughout the financing process, including:
 - Determining capital projects that need to be funded and method of raising capital
 - Selecting and managing financing team, either through RFP or existing relationships
 - Setting debt management policies and procedures
 - Adopting resolution to approve financing
 - Disclosing material information relating to the bond financing
 - Working with the financing team throughout the process to determine compensation, final purchase price of the bonds, and executing bond purchase agreement.



Bond Counsel

- An attorney or law firm that represents the issuer throughout a transaction to draft documents, provide support and a deliver a bond counsel opinion. Reviews documents prepared by other parties on issuer's behalf, i.e. the bond purchase agreement.
- Bond counsel acts as an advocate for the issuer's interests and communications with bond counsel are subject to the attorney-client privilege.
- Bond counsel opinion is required by rating agencies, insurers and underwriters (on behalf of investors).
- The bond counsel opinion covers two main issues:
 - Ensuring that the bonds are legal, valid, and binding obligations of the issuer
 - Verifying the tax status of the debt (if interest is exempt from federal, state or local taxes, given Federal tax law and IRS regulations).
- Bond Counsel typically prepares:
 - Authorizing resolutions
 - Contracts that govern how bonds are paid and from what source of funds
 - Validation proceeds and litigation, if necessary.



Disclosure Counsel

- Bonds that are sold to the public are required to include material disclosures about the issuer and the source of payment for the bonds.
- Disclosure counsel advises and assists issuers on their disclosure obligations.
- A single law firm can act as disclosure counsel and as bond counsel. The decision is up to the issuer.
- Disclosure counsel usually takes the lead in preparing the initial disclosure (the “Official Statement”) and the contract to provide continuing disclosure after the bonds are issued (the “Continuing Disclosure Undertaking”).
- Disclosure counsel renders a closing “comfort letter” on the Official Statement that is required by underwriters.



Municipal Advisor

- A Municipal Advisor is any person that provides advice to, or on behalf of, a municipal entity regarding municipal finance products or the issuance of municipal securities.
- A Municipal Advisor will assist in developing finance plans, provide current market expertise, perform structural and financial analysis, coordinate the financing team and time scheduling, communicate with rating agencies, bond insurers and underwriters on behalf of the issuer and advocate for their client during the bond sale
- Retaining a Municipal Advisor makes it easier for issuers to receive advice and financing analyses from underwriters. Municipal Advisors can also act as a buffer between an issuer and underwriters if the issuer desires.
- The Municipal Advisor has a fiduciary responsibility, meaning it must provide advice in the best interests of the issuer.
- Dodd-Frank Act – Financial reform legislation passed in response to the 2008 financial crisis. It created several standards which Municipal Advisors were subject to, most notably :
 - Series 50
 - “Pay to play” restrictions
 - Disclosure of conflicts of interest



Credit Rating Agencies

- Credit rating agencies determine the credit rating of issuers.
- An issuer's credit is an indication of the likelihood of timely repayment of debt service.
- Ratings are important factors that influence the interest rate at which bonds are sold.
- Certain investors cannot buy unrated or low rated bonds, so having an investment-grade rating broadens the pool of potential bond buyers.
- Credit rating agencies for municipal issuers must be registered with the Securities and Exchange Commission (SEC) as a Nationally Recognized Statistical Rating Organization (NRSRO). The primary agencies are:
 - Fitch Ratings
 - Moody's Investors Service
 - Standard and Poor's
 - Kroll Bond Rating Agency

FitchRatings

MOODY'S

S&P Global
Ratings

KBRA KROLL BOND
RATING AGENCY



Underwriter

- Securities dealer that helps government entities bring bond issues to market by purchasing the bonds from the issuer and then reselling the bonds to investors. In doing so, the Underwriter assumes a financial risk and thus expects to make a profit on the transaction.
- Referred to as a municipal securities dealer by the Municipal Securities Rulemaking Board and as defined in section 15B of the Securities Exchange Act of 1934.
- The Underwriter may acquire the securities either by negotiation with the issuer or by award on the basis of competitive bidding.
- The Underwriter has an “arm’s-length” relationship with the municipal issuer and works closely with the Municipal Advisor on:
 - Bond structure
 - Determining market conditions and pricing timeline
 - Marketing and soliciting bids
 - Providing bond proceeds (i.e., cash) to issuers at closing and obtaining funds from investors



Credit Enhancers

- An issuer can seek to improve an issue's credit rating by reducing the default risk of debt. There are a few different ways to do this:
 - Purchasing bond insurance – for an upfront insurance premium, an insurance company guarantees timely payment of debt service.
 - Backing the issue with a reserve surety – for an upfront insurance premium, a third party provides a surety instrument that will provides cash in a fixed amount if there is a payment default. The instrument is usually deposited in the reserve fund.
 - Obtaining a letter of credit – for a fee, a bank agrees to pay debt service (so the investor buys the bonds in reliance upon the bank's credit). The issuer then repays the bank rather than investors directly.
 - Obtaining a liquidity facility – for a fee, a bank agrees to pay debt service if the issuer does not.
 - Issuing wrapped securities – a third-party pays back a portion of interest or principal on a loan or buys back some defaulted loans from the investor.
 - Overcollateralization – the issuer backs a bond with a loan that is larger than the issue.



In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject to certain qualifications described herein, under existing statutes, regulations, rules and court decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the Bonds, defined below, is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum taxes. In the further opinion of Bond Counsel, such interest payable on the Bonds, defined below, is exempt from California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of or the amount, accrual or receipt of interest on, the Bonds. See the caption "TAX EXEMPTION."

Bond/Tax
Counsel

NEW ISSUE – BOOK-ENTRY ONLY

Ratings: See the caption "RATINGS"

WESTERN MUNICIPAL WATER DISTRICT FACILITIES AUTHORITY
WATER REVENUE BONDS, SERIES OF 2020A
(TAX-EXEMPT)

Issuer

Dated: Date of Delivery

Due: October 1, as shown on inside front cover page

The Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in denominations of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds is payable on October 1, 2020 and each April 1 and October 1 thereafter. Payment of the principal of and interest on the Bonds is to be made to Cede & Co., which is to disburse said payments to the Beneficial Owners of the Bonds through their nominees.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as more fully described herein.

The Bonds are being issued to provide funds: (i) to finance the acquisition and construction of certain improvements to the District's Water System and Sewer System; (ii) to refund all of the Authority's outstanding: (1) Water Revenue Bonds, Series of 2010B (Federally Taxable – Build America Bonds – Direct Payment); and (2) Adjustable Rate Water Revenue Refunding Bonds, Series of 2016A; and (iii) to pay costs incurred in connection with the issuance of the Bonds.

Trustee

The Bonds are being issued pursuant to the Indenture of Trust, dated as of July 1, 2020, by and between the Western Municipal Water District Facilities Authority and **U.S. Bank National Association**, trustee. THE BONDS ARE A SPECIAL LIMITED OBLIGATION OF THE AUTHORITY PAYABLE SOLELY FROM INSTALLMENT PAYMENTS TO BE MADE BY THE DISTRICT TO THE AUTHORITY PURSUANT TO THE MASTER INSTALLMENT PURCHASE AGREEMENT, DATED AS OF MAY 1, 2009, AND THE INSTALLMENT PURCHASE AGREEMENT (SERIES 2020A), DATED AS OF JULY 1, 2020, EACH BY AND BETWEEN THE DISTRICT AND THE AUTHORITY, AND FROM CERTAIN OTHER FUNDS AND ACCOUNTS HELD BY THE TRUSTEE PURSUANT TO THE INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR ANY OTHER REVENUES OR FUNDS OF THE AUTHORITY ARE PLEDGED TO OR AVAILABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS. THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The obligation of the District to make Installment Payments is a special limited obligation of the District payable solely from Net Revenues of the District's Water System and Sewer System on a parity with certain Parity Obligations of the District. The District may incur additional Parity Obligations payable from Net Revenues on a parity with the obligation to pay Installment Payments, subject to the terms and conditions of the Installment Purchase Agreement, as more fully described herein.

THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES OF THE DISTRICT'S WATER SYSTEM AND SEWER SYSTEM AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE
(See inside front cover page)

Underwriter's
Counsel

The Bonds are offered when, as and if delivered to and received by the Underwriters, subject to the approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain legal matters will be passed upon for the Authority by Best Best & Krieger LLP, Riverside, California, as General Counsel, and for the District by Best Best & Krieger LLP, Riverside, California, as General Counsel, and Stradling Yocca Carlson & Raul, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. The Underwriters are being represented by their counsel **Katten Muchin Rosenman LLP**, New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about July 8, 2020.

Underwriters

BofA Securities

TD Securities

Disclosure
Counsel

Dated: June 23, 2020



Other Consultants

Consultant	Purpose
Trustee (Paying Agent, Registrar)	Enforces the terms of the trust indenture and transmits principal and interest
Feasibility Consultant	Prepares report on adequacy of the revenue generated to repay debt
Verification Agent	Verifies cash flow is sufficient to pay principal and interest on refunded bonds
Escrow Agent	Holds securities or cash to pay debt service on refunded bonds
Special Tax Consultant	Performs analysis of assessed value and special tax revenues
Arbitrage Rebate Consultant	Helps issuer determine whether it is correctly following federal rules after issuing tax-advantaged bonds
Green Bond Certifier	Independently certifies that use of bond proceeds is “green.”



Selecting Financing Team Members – The RFP Process



Getting the Most out of your RFP Process

- Target your potential respondents
- Write clearly about your expectations
 - Submission requirements
 - Ask targeted questions that still provide flexibility for creative answers and recommendations
 - Ask questions that are specific to your needs
 - Be specific about pricing limitations, insurance requirements
 - Set page limits and formatting requirements
- Put together an evaluation team and framework for evaluation
 - Experience
 - Ideas
 - Pricing
 - Clarity of communication



RFP Questions: Good or Not So Good?

“Provide a brief description of your firm’s relevant experience in matters pertaining to public finance; list and describe experience with municipalities in California.”

- “Summarize your understanding of the objectives of the contract. Describe the key points your firm would rely upon in providing financial advice to us. Describe how your firm’s understanding of us might be greater than other firms.”
- “Provide a case study from the past three months which demonstrates your firm’s aggressiveness in pricing fixed rate tax-exempt or taxable bonds. Describe the risk which your firm was willing to assume in underwriting the bonds.”
- “Describe your approach to a new financing. Are there any particular characteristics of your firm that we would benefit from as we address our new money financing needs as well as on-going debt administration costs over the next few years. What should we be concerned about?”



Basic Types of Debt



General Obligation Bonds

- **General Obligation Bonds**, commonly referred as GO Bonds, are backed by the full faith and credit of the municipal issuer, meaning that the issuer can use all sources of revenue to make principal and interest payments, unless specifically excluded.
 - Usually paid for with tax revenues.
 - Will typically fund a specific project or group of related projects.
 - Generally most secure debt with lowest cost.
 - Simpler issuance and documentation process.
 - Each issue can “stand alone” over time.
 - Majority voter approval required.



Lease Revenue Bonds and General Fund Borrowing

- An issuer can also finance a capital project using **Lease Revenue Bonds**.
- Lease Revenue Bonds are paid for with lease payments made by the government agency for the right to use and occupancy of a facility (may or may not be a facility that is financed by the bond issue).
- The agency will often make the lease payments with money appropriated annually from its general fund.
 - Some bond issues may have an **annual appropriation pledge**, which obligates the agency to make lease payments to the extent that funds are budgeted, decided with an annual vote.
- Exception to constitutional debt limit (no vote required) because the issuer budgets annually to pay for the leased facility. The issuer's obligation to pay rent will abate if the issuer can't use the facility or chooses to vacate it.
- Lease counterparty required.



Enterprise Revenue Bonds

- **Enterprise Revenue Bonds** are issued to finance specific enterprises or projects. They are payable from a specific stream of revenue, usually revenue from the enterprise the bonds are funding (not necessarily the specific project).
- Revenue Bonds can generally be grouped into the following categories:
 - Transportation
 - Utilities (water, wastewater, electric, airport)
 - Industrial Development, Pollution Control and Other Exempt Facility Bonds
 - Higher Education, Healthcare and Other Not-For-Profit
 - Securitized Revenue Bonds
- Historically are considered higher cost than GO bonds
- Features can be more customized
- Past and future issues usually share equal lien
- Exception to constitutional debt limit (no vote required) - Special Fund operated as a business enterprise is source of repayment. Structure the financing as an installment purchase of the capital projects being financed.



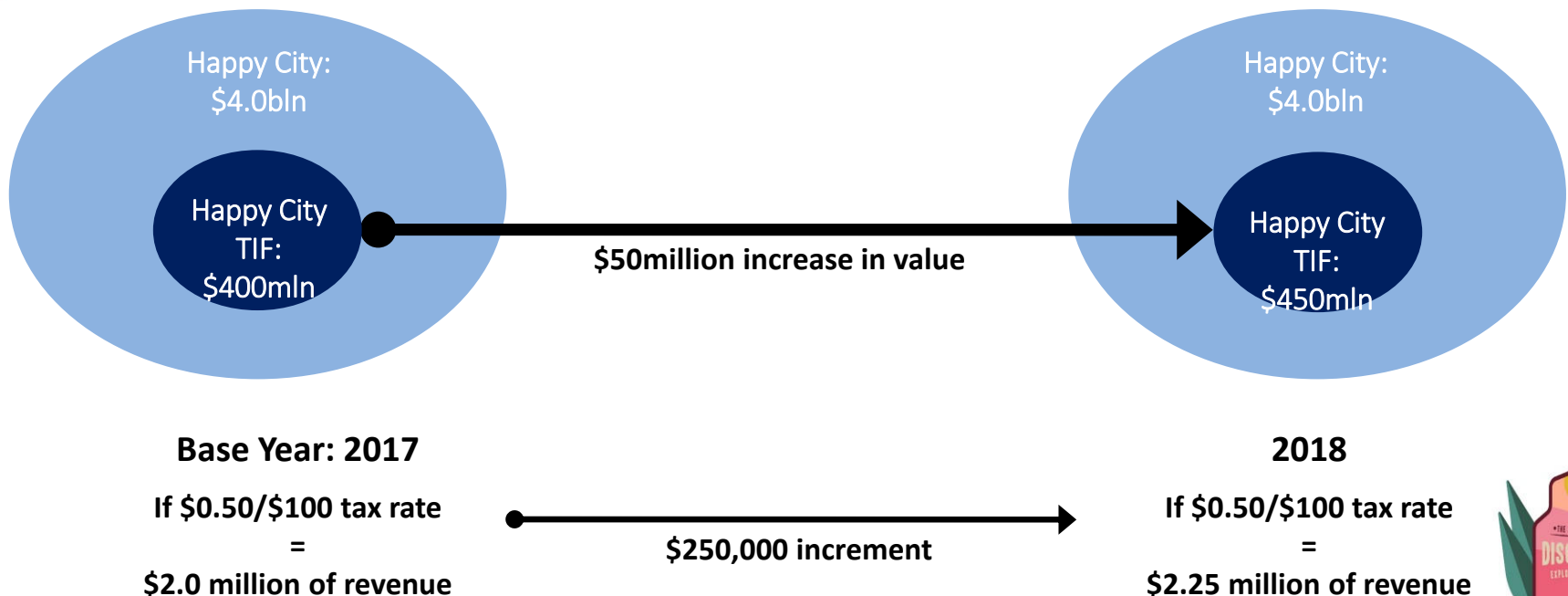
Pension Obligation Bonds

- Pension obligation bonds (“POBs”) are *taxable* bonds issued by a state or local government to pay its obligation to the pension fund or system in which its employees are members.
- POBs are typically structured as obligations payable from the general fund of the issuer
- POBs issued without voter approval under an exception to the State Constitutional debt limitation (“obligations imposed by law”).
 - POBs are validated pursuant to California’s validation statute
 - Lease revenue and enterprise revenue bonds issued for same purpose do not require a validation action
- Recent resurgence of POB issuance for CalPERS members over the past three years
 - Low borrowing costs and ability to “reshape” UAL payments driving forces
 - POBs are not without risks (GFOA Advisory)



Successor Agency to Redevelopment Agency Tax Increment Bonds

- **Tax Increment Bonds** are funded by expected increases in tax revenue, usually as a result of increasing property values.
 - With limited exceptions, only permissible now to refund previously issued redevelopment agency debt.
 - California Department of Finance and Oversight Board approval required.



Special Tax Bonds

- **Special Tax Bonds** are payable from the proceeds of a special tax levied on land.
 - Community facilities districts issue these bonds frequently (“Mello-Roos Bonds”).
 - 2/3 voter approval requirement – the vote usually occurs when the developer is the sole landowner.
 - Covenant to foreclose if special tax not paid.
 - Disclosure requires the assistance of a fiscal consultant to prepare a report on assessed valuations.
 - Ongoing reporting requirements to the State of California.



Basic Legal Documents



Authorizing Resolution

- SB 450 – Requires the governing body of a public body to obtain and disclose specified information regarding an upcoming bond issuance in a meeting open to the public. Issuers must make good faith estimates of:
 - True interest cost
 - All third-party fees
 - Net bond proceeds received by the issuer
 - Total debt service
- SB 1029 – Before they can issue bonds, issuers must have an adopted debt management policy that addresses:
 - Purpose for which debt proceeds may be used
 - Types of debt that may be issued
 - Relationship of debt to issuer's CIP
 - Policy objectives for issuing debt
 - Internal control procedures regarding expenditure of proceeds



Indenture/Installment Purchase Agreement

- A **Bond Indenture** is a legal and binding contract outlining all of the important features of a bond, including the maturity date, coupon payment dates, method of calculating interest, the source of payment and payment and redemption provisions.
- For certain types of deals which are structured as installment purchases of capital improvements, the substantive contractual provisions are in an **Installment Purchase Agreement**
- The Bond Indenture or Installment Purchase Agreement also contains important security covenants, such as:
 - a pledge of a source of funds to repay the bonds
 - a covenant to appropriate funds each year to repay the bonds
 - a covenant to set rates and charges at levels that will enable the issuer to repay the bonds
 - a covenant establishing the terms under which the issuer can issue additional bonds
 - a covenant to file an annual ROPS with the Department of Finance
 - a covenant to foreclose on landowners who do not pay taxes
 - a description of how the provisions of the document can be amended



Preliminary Official Statement and Official Statement

- Investors in municipal bonds have rights under federal securities laws.
- The **Preliminary Official Statement (POS)** is a document prepared during the financing process by or on behalf of the issuer. The POS includes all *material* information regarding the issue, including the purpose of the bonds, how the bonds will be repaid, and financial and economic characteristics of the issuer, conduit borrower or other obligated person with respect to the offered bonds. Investors and market intermediaries use this information to evaluate the credit quality of the bonds and potential risks of the bonds. The POS is disseminated to investors and is used to market the bonds.
- **The Official Statement is prepared after the bonds are priced.** It includes everything that the POS includes, plus the final pricing numbers of the bonds.
- The POS and the Official Statement are the issuer's documents. The financing team can help, but the issuer is ultimately responsible for their contents.



Preliminary Official Statement and Official Statement (continued)

- Materiality (the SEC is focused on this topic and believes that many bonds are sold without adequate disclosure to investors):
 - Is there a substantial likelihood that a reasonable investor or prospective investor would consider the information important in deciding whether or not to invest?
 - Materiality is determined in context of all of the facts and circumstances, but usually on a retroactive basis.
 - Guidance comes primarily from court decisions and SEC enforcement cases.
- There are no bright-line rules governing materiality, and no standardized list of items that must be included in a bond disclosure. Different types of bonds require different disclosure. The issuer must ultimately use its best judgment.
- Therefore, the assistance of experienced disclosure counsel is critical when preparing an Official Statement in the current regulatory environment.



Preliminary Official Statement and Official Statement (continued)

Disclosure Principles:

- Disclose important points, but don't overwhelm readers with detail.
- Highlight important developments up front.
- Explain trends in the numbers.
- Be consistent – there should not be one story for the rating agencies and one for investors.
- Look at recent industry practice – your disclosure counsel can help.
- Have the “right people in the room” within your organization assisting in gathering material. Empower staff to raise concerns. There are no stupid questions.
- Political sensitivity and confidentiality are not reasons to omit a topic.



Continuing Disclosure Agreement

- A **Continuing Disclosure Agreement (CDA)** outlines an issuer's continuing (i.e. post-issuance) financial reporting obligations for a bond issuance. Continuing disclosures allow bonds to be traded in the secondary market after the Official Statement disclosure becomes stale.
 - Under Securities and Exchange Commission (SEC) rule 15c2-12, underwriters are required to obtain CDAs from issuers so that they can provide annual financial information on a continuing basis to investors.
- Requirement to update certain information in Official Statement annually.
- Also, certain events must be reported within 10 business days, including:
 - Principal and interest payment delinquencies
 - Unscheduled draws on reserve fund
 - Unscheduled draws on any credit enhancement (bond insurance)
 - Rating changes (this includes ratings of bond insurers)
 - Bankruptcy
 - IRS determination of taxability
 - Entry into Private placements
 - Defaults under private placements



Letter of Credit / Reimbursement Agreement

- A **Letter of Credit** is a letter from a bank guaranteeing that an issuer's payment to a bondholder will be received on time and for the correct amount. There are two types of letters of credit:
 - Direct-pay: Bank pays bondholders directly in all cases. Bank's rating transfers to the issuer for the bond issue.
 - Liquidity facility: Bank pays bondholders if issuer does not pay.
- A **Reimbursement Agreement** is a legal document between the issuer and Bank that is entered into along with a Letter of Credit. The agreement usually includes information regarding the letter of credit facility, representations and warranties, covenants, defaults and more. The agreement ensures that the issuer will repay the Bank the amount that is drawn and any related interest.

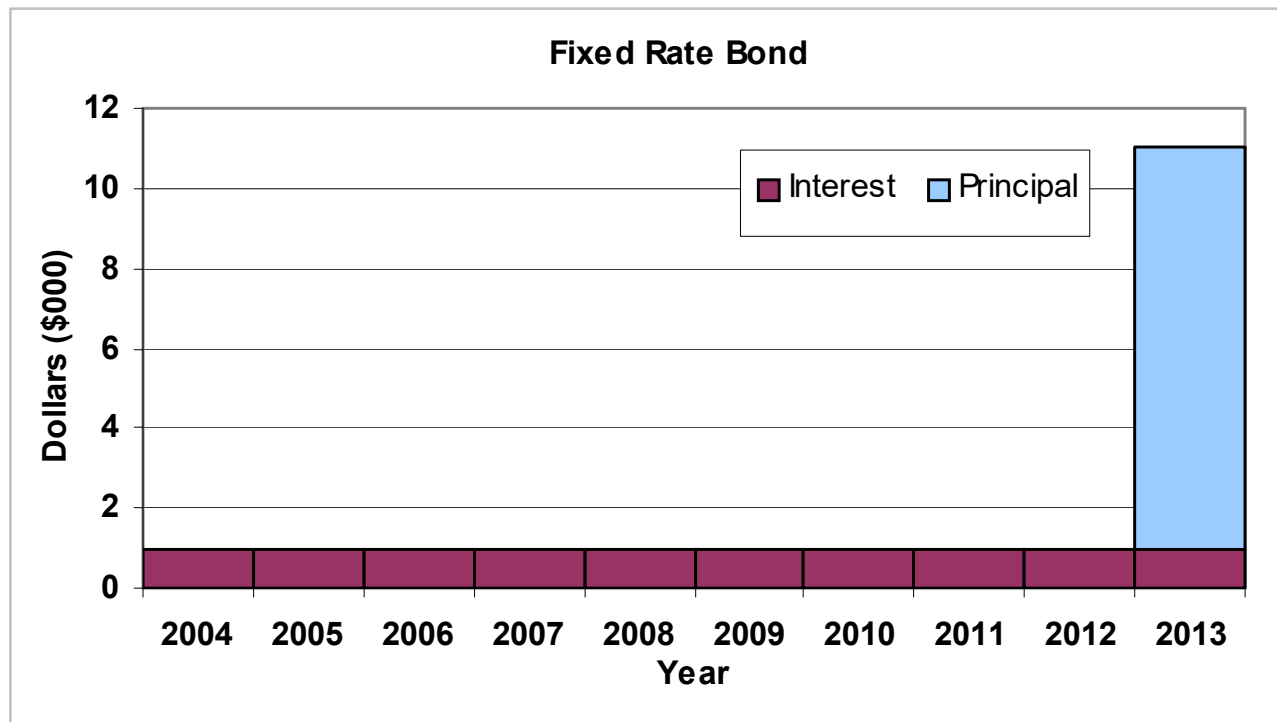


Debt Structuring Considerations



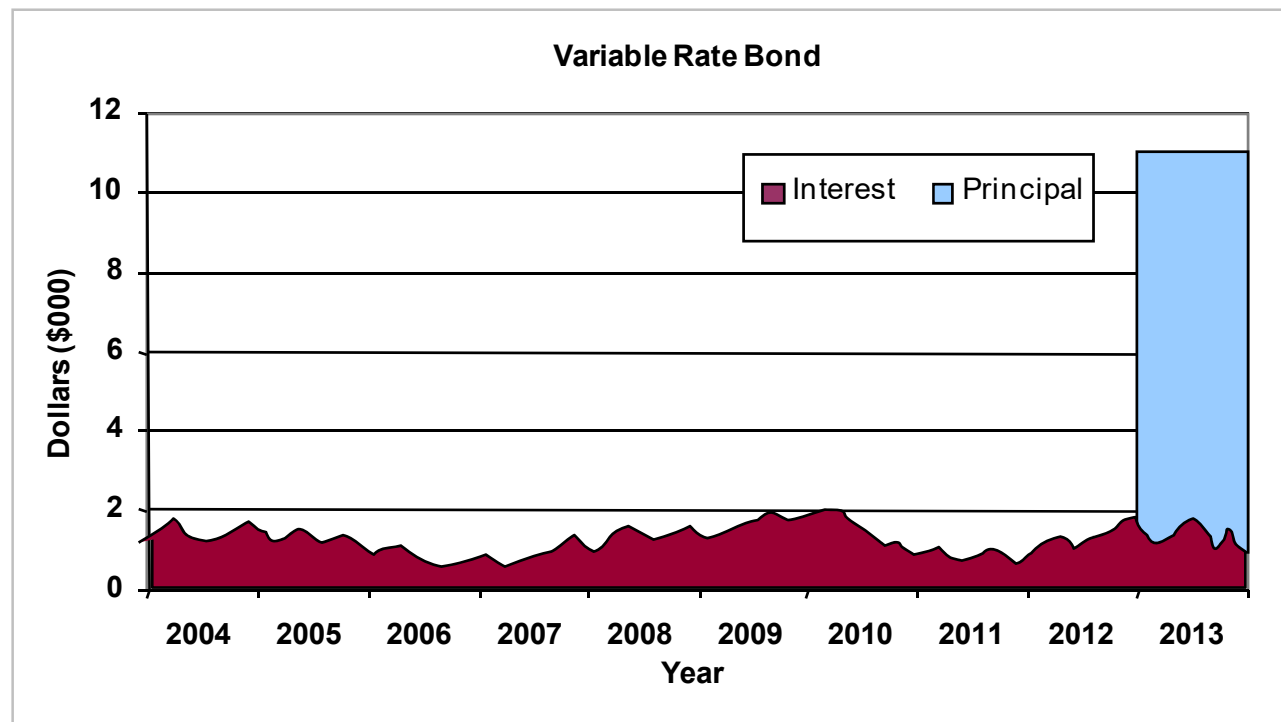
Fixed-Rate Debt

- The rates (coupons) are set on the day of the pricing and do not change.
- The issuer will pay scheduled interest (usually twice a year) for as long as the bonds are outstanding.



Variable Rate Debt and Commercial Paper

- The rates are reset to different coupons at predetermined points throughout the year.
- The issuer's interest payments will vary for the life of the bonds based on market conditions or changes in an index (e.g. SIFMA, SOFR).



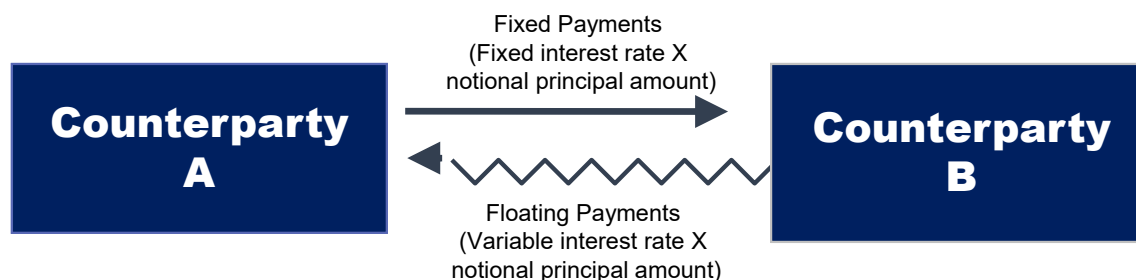
Considerations for Fixed vs. Variable Rate Debt

Benefits of Fixed Rate Debt	Benefits of Variable Rate Debt
<p>Allows for budget certainty and administration</p> <p>No ongoing credit support needed</p> <p>Legal documents are simpler</p>	<p>Creates a natural hedge between short-term assets and liabilities</p> <p>Often, more flexible prepayment provisions</p> <p>Used to diversify debt portfolio</p>
Disadvantages of Fixed Rate Debt	Disadvantages of Variable Rate Debt
<p>Historically, higher interest rates than variable rate debt</p> <p>Less flexible call feature than variable rate bonds</p>	<p>Interest rate risk and (often) bank credit risk</p> <p>Budget uncertainty</p> <p>Unpredictable pricing of support costs; typically new LOC/SBPA or mandatory tender required every 1-5 years</p> <p>Additional administrative involvement</p>



Synthetic Interest Rate Debt and Interest Rate Swaps

- An interest rate swap is an agreement between two parties (“counterparties”) to exchange interest rate payments for a specified period of time.
- Usually the swap rate for one counterparty is fixed, whereas the swap rate for the other party is variable (“floating”)
- Allows issuers to create synthetic variable-rate or fixed-rate debt and take advantage of different prices paid for different financial instruments in different markets



Bond Pricing Primer

- Coupon vs. Yield vs. Price
 - Coupon and price have a direct relationship, whereas yield and price have an inverse relationship.

	Original Issue Discount (OID)	Par Bond	Original Issue Premium (OIP)
General Rule	Coupon<Yield Price<100	Coupon=Yield Price=100	Coupon>Yield Price>100
Example (20-year bond)	Coupon=4.00% Yield=5.00% Price=\$87.448	Coupon=5.00% Yield=5.00% Price=\$100.000	Coupon=6.00% Yield=5.00% Price=\$112.551

- Variable rate bonds are typically priced at par (100.000).
 - Coupon = Yield



Bond Pricing in the Official Statement

“Interest
Rate”
=
Coupon

MATURITY SCHEDULE

BASE CUSIP* 95874T

\$90,260,000

WESTERN MUNICIPAL WATER DISTRICT FACILITIES AUTHORITY
WATER REVENUE BONDS, SERIES OF 2020A (TAX-EXEMPT)

\$80,485,000 Serial Bonds

<i><u>Maturity (October 1)</u></i>	<i><u>Principal Amount</u></i>	<i><u>Interest Rate</u></i>	<i><u>Yield</u></i>	<i><u>Price</u></i>	<i><u>CUSIP*</u></i>
2021	\$ 295,000	5.000%	0.120%	105.998	BU2
2022	310,000	5.000	0.130	110.843	BV0
2023	325,000	5.000	0.150	115.624	BW8
2024	340,000	5.000	0.200	120.210	BX6
2025	355,000	5.000	0.270	124.549	BY4
2026	1,100,000	5.000	0.390	128.348	BZ1
2027	2,020,000	5.000	0.520	131.750	CA5
2028	2,680,000	5.000	0.640	134.901	CB3
2029	2,825,000	5.000	0.710	138.262	CC1
2030	2,965,000	5.000	0.780	141.416	CD9
2031	3,120,000	5.000	0.840	140.698 ^c	CE7
2032	3,280,000	5.000	0.980	139.039 ^c	CF4
2033	6,215,000	5.000	1.100	137.636 ^c	CG2
2034	6,565,000	5.000	1.150	137.056 ^c	CH0
2035	6,935,000	5.000	1.220	136.249 ^c	CJ6
2036	7,320,000	5.000	1.300	135.334 ^c	CK3
2037	7,735,000	5.000	1.370	134.539 ^c	CL1
2038	8,165,000	5.000	1.410	134.087 ^c	CM9
2039	8,635,000	5.000	1.450	133.637 ^c	CN7
2040	9,300,000	5.000	1.470	133.413 ^c	CP2

\$4,295,000 5.000% Term Bonds Due October 1, 2045, Yield: 1.680%, Price: 131.084^c, CUSIP* CQ0

\$5,480,000 5.000% Term Bonds Due October 1, 2050, Yield: 1.750%, Price: 130.319^c, CUSIP* CR8

Callable
premium
bonds are
priced to first
call date



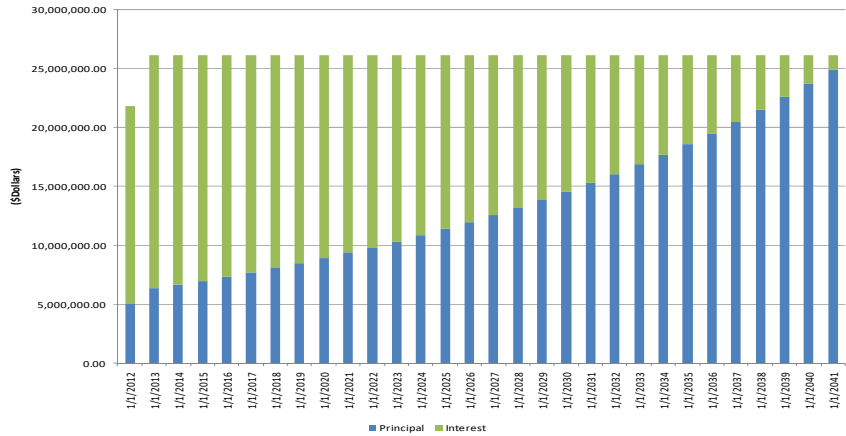
Term of Debt

- How quickly do you want to pay off debt?
 - Long-term debt (10 yrs. or longer) – more time to pay off debt, but more interest payments, meaning that you are paying more in excess of what you borrowed.
 - Short-term debt (10 yrs. or shorter) – less time to pay off debt, higher annual payments, but fewer payments and reduced total debt service.
- Consider:
 - Construction timeline and useful life of the project being funded – How long will the project take? When do you expect to earn revenue from the project?
 - Current / future revenue constraints – How much can you afford to pay now? Do you expect significant increases or decreases in revenue in the future?
 - Tax considerations – the IRS disfavors issuing 30-year bonds for an asset with a 10-year useful life.
 - Your other outstanding debt – do you want a level debt profile, or are you comfortable with annual spikes in total debt service.

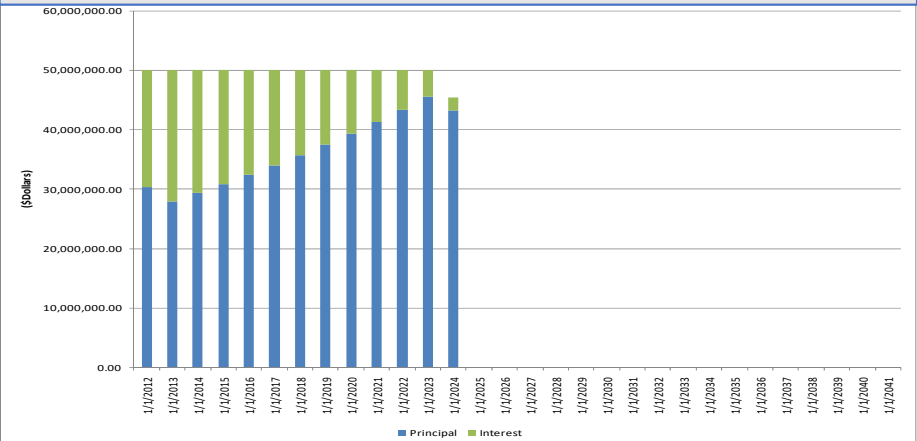


Debt Service Structure

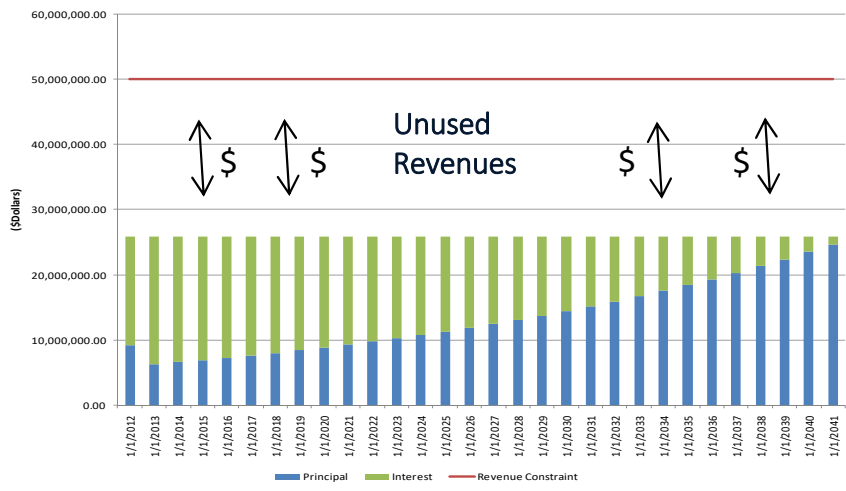
Level Debt Service



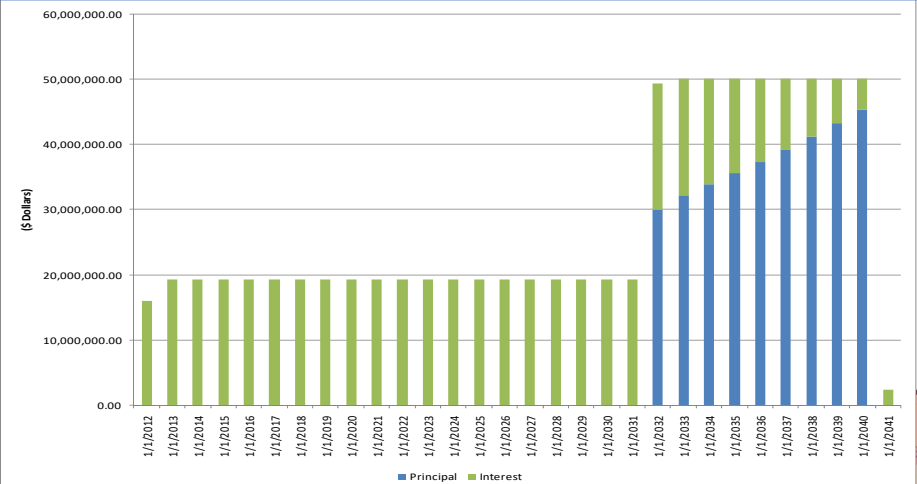
Accelerated / Front-Loaded Debt Service



Uniform Debt Service



Deferred / Back-Loaded Debt Service



Redemption (i.e. Prepayment) Provisions

- Call is exercised only at the ***option of the issuer, not the investor***
- Calls typically exercised to **achieve savings** or **restructure debt**
- Issuers typically issue bonds with a 10-year call option
- Mandatory Call
 - Call must be exercised on specified date/during specified timeline
 - May be required by law
 - May be required by legal structure of transaction
- Extraordinary Call
 - Call exercised upon occurrence of certain events
 - May be optional
- Redemption Prices for Call Vary
 - Par
 - Premium
 - Make-Whole



Case Study – Western Municipal Water District



Western Municipal Water District Series 2020A Bonds

- WMWD issued the 2020A Bonds to: i) finance CIP needs, ii) refund outstanding BABs and iii) refund a put bond with long-term bonds
- At the outset of the transaction, WMWD and PFM developed transaction objectives:
 - Lock-in low costs of financing
 - Minimize near-term impact of debt service for rate purposes
 - De-risk WMWD's debt portfolio
- The plan of finance was well received by the Board for its elegant simplicity and cost effectiveness
- COVID-19 added additional considerations, but the plan of finance was flexible and able to adjust to incorporate Board considerations related to uncertainty surrounding the impacts of the pandemic
- A customized and comprehensive ratings strategy resulted in a Fitch upgrade to AA+ with a positive outlook (more recently upgraded to AAA)
- The 2020A Bonds were well received by investors, receiving over \$700 million of orders with final yields as low as -17 basis points to AAA MMD resulting in about \$9 million in interest savings for Western and its customers
- The bond sale retired about \$96 million in existing debt and raised \$25 million in new money for capital projects.



Western Municipal Water District Series 2020A Bonds

WMWD Series 2020A Bonds		
Maturity	Final Spread to AAA MMD	Final Yield
2021	-0.13%	0.12%
2022	-0.14%	0.13%
2023	-0.13%	0.15%
2024	-0.13%	0.20%
2025	-0.15%	0.27%
2026	-0.17%	0.39%
2027	-0.15%	0.52%
2028	-0.12%	0.64%
2029	-0.11%	0.71%
2030	-0.11%	0.78%
2031	-0.13%	0.84%
2032	-0.08%	0.98%
2033	-0.05%	1.10%
2034	-0.03%	1.15%
2035	-0.01%	1.22%
2036	0.03%	1.30%
2037	0.05%	1.37%
2038	0.05%	1.41%
2039	0.05%	1.45%
2040	0.03%	1.47%
2045	0.10%	1.68%
2050	0.12%	1.75%



Credit Ratings



What is a credit rating?

- An alphabetic and/or numeric symbol used to give relative indications of credit quality.
- An issuer's credit rating is an indication of the likelihood of timely repayment of debt service.
- Independent, objective and relative assessments of both qualitative and quantitative factors.
 - General obligation ratings are generally scored along 4 or 5 categories:
 1. Economy and tax base
 2. Financial condition of the general fund
 3. Management
 4. Debt and pension obligations
 5. Institutional framework (S&P only)
 6. Economic, Social and Governance (ESG) factors
- Grading criteria may vary from each industry.
- While many sophisticated investors do their own credit research, ratings play a critical role in the minds of most market participants and are perceived by the market as a guide of an Issuer's creditworthiness.
- Many investors cannot buy unrated or below-investment grade bonds. Higher ratings broaden the pool of potential buyers and hopefully give issuers better prices.
- Certain investors require more than one rating to purchase bonds.



Credit Rating Scale

- The four major rating agencies are Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P"), Fitch Ratings ("Fitch"), and Kroll Bond Rating Agency ("Kroll").

Moody's	S&P	Fitch	Kroll	Grade
Aaa	AAA	AAA	AAA	Investment Grade
Aa1	AA+	AA+	AA+	
Aa2	AA	AA	AA	
Aa3	AA-	AA-	AA-	
A1	A+	A+	A+	
A2	A	A	A	
A3	A-	A-	A-	
Baa1	BBB+	BBB+	BBB+	
Baa2	BBB	BBB	BBB	
Baa3	BBB-	BBB-	BBB-	
Ba1	BB+	BB+	BB+	Speculative Grade
Ba2	BB	BB	BB	
Ba3	BB-	BB-	BB-	
B1	B+	B+	B+	
B2	B	B	B	
B3	B-	B-	B-	
Caa1	CCC+	CCC+	CCC+	
Caa2	CCC	CCC	CCC	
Caa3	CCC-	CCC-	CCC-	
Ca	CC	CC	CC	



Typical Rating Process



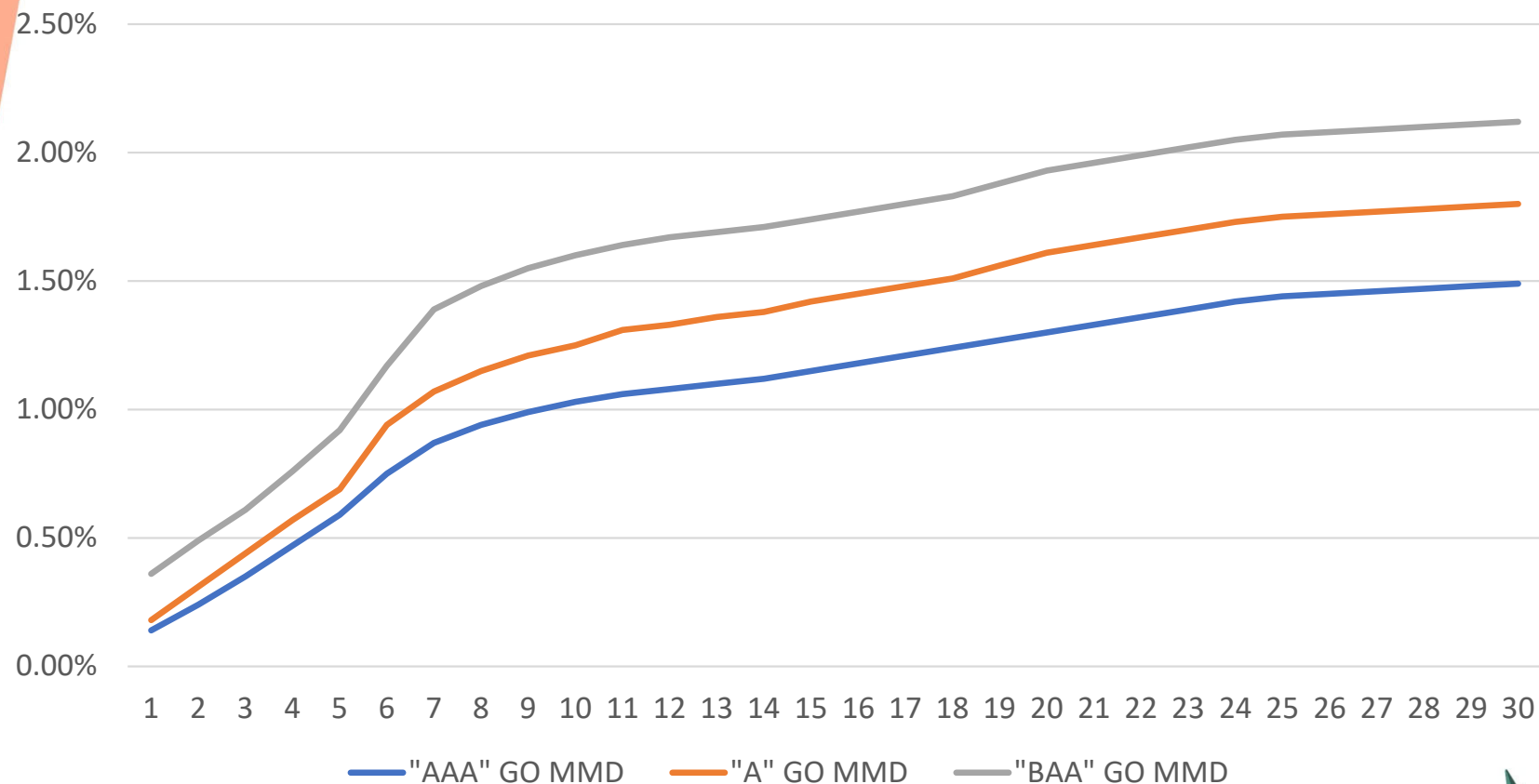
Assignment	Methodology	Analysis	Discussions	Committee	Publication
The rating process starts with the assignment of a Lead Analyst	The Lead Analyst identifies the appropriate methodology	The Lead Analyst gathers information and begins to analyze the credit	The Lead Analyst holds a credit discussion with the Issuer (in-person/ conference call)	The Lead Analyst develops a recommendation and presents it to a committee of senior analysts	The Lead Analyst informs the marketplace of any rating actions by publishing a report

**Information from Moody's Investor Service*



Benefits of a High Credit Rating

- Interest rates are affected by both market conditions and credit quality of the issuer. **A higher credit rating results in a lower cost of borrowing (lower interest rate).**



Source: TM3, as of December 31, 2021



Sample Outline of a Rating Presentation

1. Introduce the issuer
 - a) Help the rating agency understand the issuer better and highlight qualitative strengths of the issuer
 - i. Community that it serves
 - ii. Service it provides
 - iii. Industry-specific highlights (e.g. academic performance for school districts, water conservation initiatives for water districts, etc.)
2. Economic and demographic characteristics of community/service area
 - a) Show that the new issue will be funded by a steady and stable stream of revenue
 - i. What makes the local economy strong?
 - ii. What are local income levels and property values?
3. Financial management
 - a) Share how the issuer manages its finances
 - i. Operating revenues and expenses over the past five (or more) years.
 - ii. Future CIP needs
4. ESG factors and considerations
5. Overview of new issuance
 - a) Explain how the new bond issue will be structured and the project it will fund

Don't panic – Your Municipal Advisor can help you prepare a rating presentation!



How to Prepare for a Rating Agency Presentation

- Who should participate?
 - The Municipal Advisor, underwriter and bond counsel may all provide input, but the issuer will usually lead the presentation
- In person or over the phone/Zoom?
- Getting the unexpected question
- Anticipate the information that the rating agency needs and try to provide it in the presentation – your Municipal Advisor can help



It's Time to Sell Bonds: Method of Sale and Pricing Process



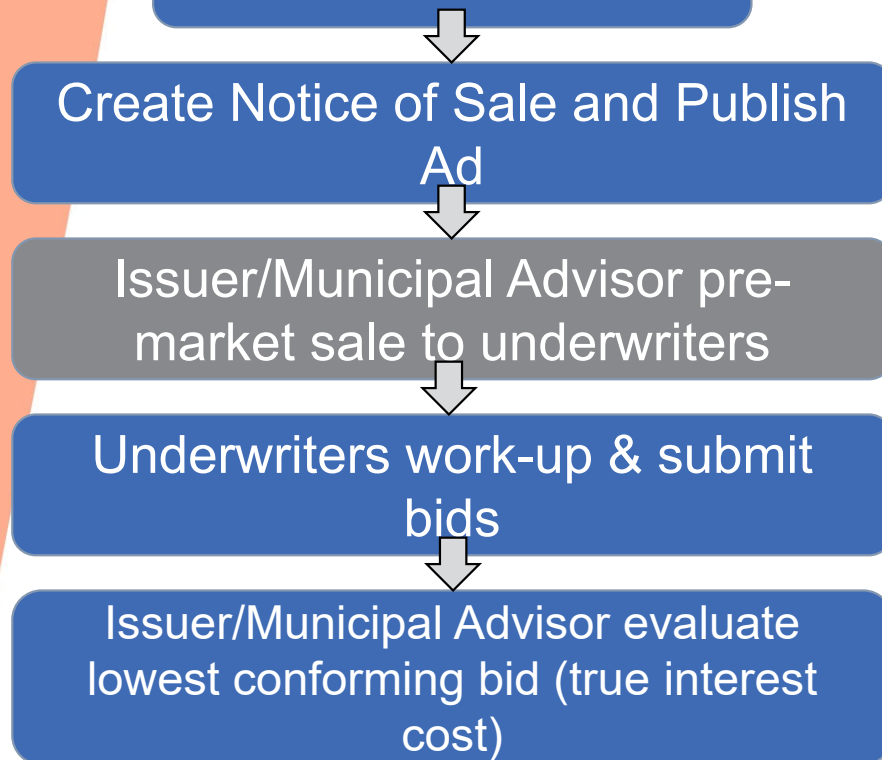
Method of Sale

Competitive	Negotiated
<p>Pros:</p> <ul style="list-style-type: none"> Fully transparent sale as bonds are sold to the firm who bids the lowest interest cost (TIC) 	<p>Pros:</p> <ul style="list-style-type: none"> Selection of a predetermined, preferred underwriting team Underwriter can utilize capital to support sale of bonds Proper allocation of underwriting compensation commensurate with perceived value
<p>Cons:</p> <ul style="list-style-type: none"> Marketing process more limited than negotiated sale Lack of underwriting support in volatile markets Bidder determines coupon structure (within issuer parameters) 	<p>Cons:</p> <ul style="list-style-type: none"> Pricing process is based on negotiation with underwriter at time of sale

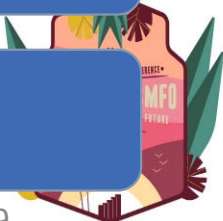
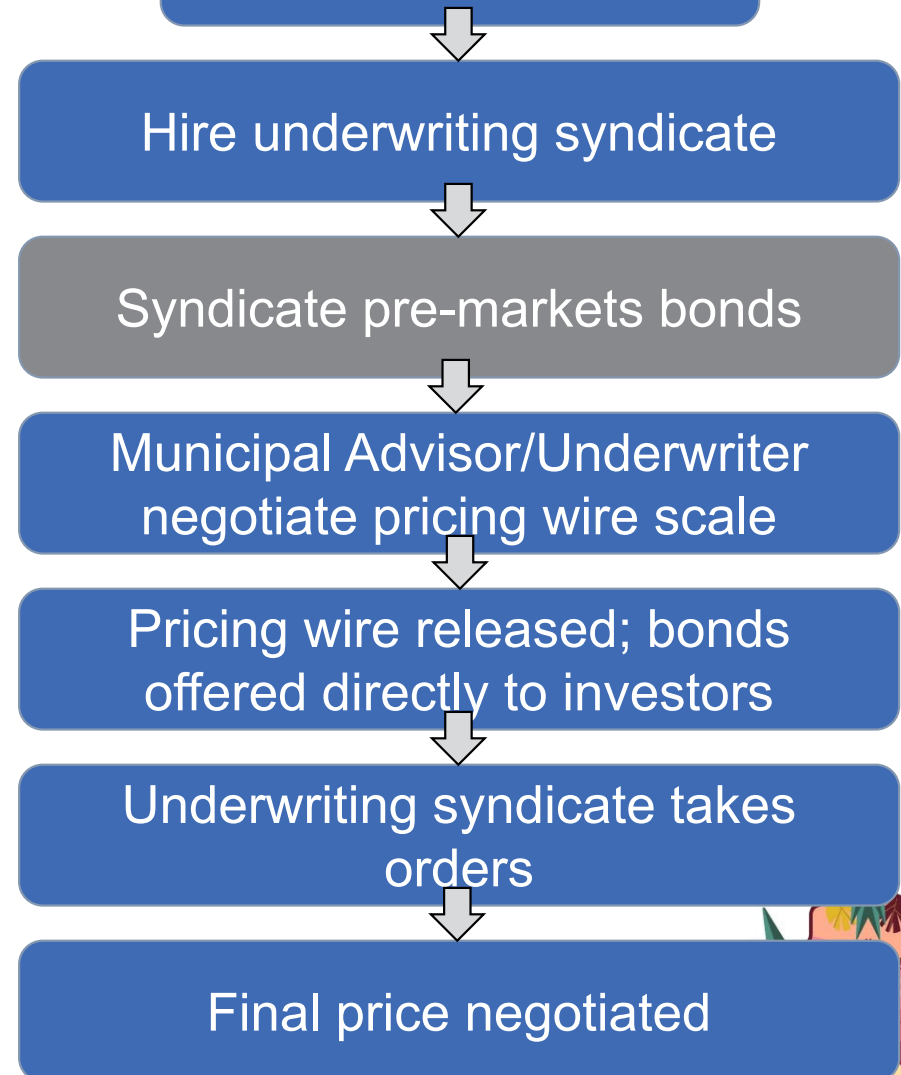


Sale Process – Competitive vs. Negotiated

COMPETITIVE SALE



NEGOTIATED SALE



Pre-pricing Timeline

3 weeks before pricing:

- Finalize legal documents
- Receive governing board authorization to issue bonds

2 weeks before pricing:

- Due diligence call
- Final clean-up edits to disclosure document (POS)

1 week before pricing:

- Receive ratings
- Post POS
- Marketing and pre-sale



Pricing Day (Negotiated)

- Market update from underwriter
 - Underwriter uses feedback from potential buyers and economic data from the day of to inform scale.
- Establish yields / scale that you will go into market with.
- Pricing Period.
 - Investors place orders.
- Finalize scale.
 - Based off of investor demand during pricing period, readjust scale.
 - Issuer give verbal award to underwriter, meaning that the issuer verbally signs off on agreed upon scale.
 - Underwriter underwrites bonds.
- Run final numbers based on final scale.
- Sign Bond Purchase Agreement.
- Closing occurs about two weeks after pricing after all documents are signed; issuer then receives bond proceeds.



What is a “repricing”?

- Negotiating with the underwriters (and investors) to reprice the bonds in a way that is more advantageous to the issuer and/or to accommodate unsold balances.

Initial Pricing Wire

\$245,750,000*

SERIES 2017 A

MOODY'S: A2

S&P: A

FITCH: A+

DATED:07/06/2017 FIRST COUPON:01/01/2018

DUE: 01/01

MATURITY	AMOUNT*	COUPON	PRICE (Pts)	ADD'L	TAKEDOWN
1/1/2018	1,045M	3.00%	0.65	3/8	
			(Approx. \$ Price 102.695)		
1/1/2019	5,200M	3.00%	1.08	3/8	
			(Approx. \$ Price 103.152)		
1/1/2019	3,965M	5.00%	1.08	3/8	
			(Approx. \$ Price 108.321)		
1/1/2020	2,995M	4.00%	1.53	3/8	
			(Approx. \$ Price 106.182)		
1/1/2020	6,805M	5.00%	1.53	3/8	
			(Approx. \$ Price 109.676)		
1/1/2021	10,880M	5.00%	1.93	3/8	
			(Approx. \$ Price 110.323)		
1/1/2022	12,470M	5.00%	2.36	3/8	
			(Approx. \$ Price 110.005)		
1/1/2023	11,815M	5.00%	2.72	3/8	
			(Approx. \$ Price 109.332)		
1/1/2024	3,595M	5.00%	3.07	3/8	
			(Approx. \$ Price 108.111)		
1/1/2025	25,710M	5.00%	3.29	3/8	
			(Approx. \$ Price 107.327)		
1/1/2026	161,270M	5.00%	3.47	0.425	
			(Approx. \$ Price 106.537)		

CALL FEATURES: No optional call

* - APPROXIMATE SUBJECT TO CHANGE

Repricing Wire

\$245,750,000*

SERIES 2017 A

MOODY'S: A2

S&P: A

FITCH: A+

DATED:07/06/2017 FIRST COUPON:01/01/2018

DUE: 01/01

MATURITY	AMOUNT*	COUPON	PRICE (Pts)	ADD'L	TAKEDOWN
1/1/2018	1,045M	3.00%	0.58	3/8	
			(Approx. \$ Price 102.695)		
1/1/2019	5,200M	3.00%	1.01	3/8	
			(Approx. \$ Price 103.152)		
1/1/2019	3,965M	5.00%	1.01	3/8	
			(Approx. \$ Price 108.321)		
1/1/2020	2,995M	4.00%	1.48	3/8	
			(Approx. \$ Price 106.182)		
1/1/2020	6,805M	5.00%	1.48	3/8	
			(Approx. \$ Price 109.676)		
1/1/2021	10,880M	5.00%	1.90	3/8	
			(Approx. \$ Price 110.323)		
1/1/2022	12,470M	5.00%	2.35	3/8	
			(Approx. \$ Price 110.005)		
1/1/2023	11,815M	5.00%	2.70	3/8	
			(Approx. \$ Price 109.332)		
1/1/2024	3,595M	5.00%	3.05	3/8	
			(Approx. \$ Price 108.111)		
1/1/2025	25,710M	5.00%	3.24	3/8	
			(Approx. \$ Price 107.327)		
1/1/2026	161,270M	5.00%	3.37	0.425	
			(Approx. \$ Price 106.537)		

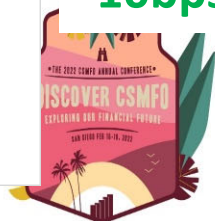
CALL FEATURES: No optional call

* - APPROXIMATE SUBJECT TO CHANGE

-7bps

-5bps

-10bps



Underwriter Jargon

- Spread = Credit spread to AAA MMD (e.g. “+20” = AAA MMD plus 20 basis points).
- Scale = pricing worksheet with coupons, credit spreads and yields for each maturity.
- Bump = lower yield or credit spread.
- Cut = increase yield or credit spread.
- Nickel, Dime = 5 basis points, 10 basis points.
- Going Away Order = True investor order (compare to stock orders).

Underwriter: “We are recommending cutting the scale a nickel 24-30 to accommodate going away orders.”

Translation: “We have an investor that will buy the 2024-2030 maturities at yields 5 basis points (0.05%) higher than where they are offered and recommend increasing the yield by 5 basis points (0.05%) for each maturity to avoid underwriting the bonds.”



Signing the Bond Purchase Agreement

- The Bond Purchase Agreement includes sale conditions, sale price, bond interest rates, bond maturities, dated date, delivery date, sinking fund provisions, conditions under which the agreement may be terminated, a list of the documents, certificates and opinions to be delivered at closing, expenses to be paid by various parties and other representations and covenants of the issuer.
- Must be signed on the day of pricing – do you know where your authorized signers are?



Debt Policy Best Practices



SB1029 Overview – Debt Policy

- Effective Jan 1, 2017, SB 1029 empowers CDIAC to track and report all state and local outstanding debt until fully repaid and redeemed.
- Annual Debt Transparency Report (ADTR) is required for every issue of debt for which a Report of Final Sale has been submitted on or after Jan 21, 2017.
 - Required information includes: debt authorized, debt outstanding and use of proceeds.
 - ADTRs due Jan 31st every year.



Debt Policy Contents and Best Practices

- Establish parameters for issuing debt
- Provide guidance to decision makers to choose the most prudent, equitable and cost effective method of financing
- Objectives for issuing debt
- Financing and refinancing criteria
- Method of issuance
- Post-issuance compliance

WESTERN MUNICIPAL WATER DISTRICT

DEBT AND FINANCIAL MANAGEMENT POLICY

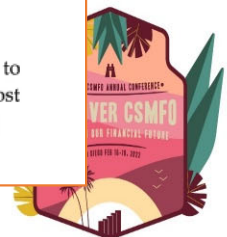
INTRODUCTION

The District's overriding goal in issuing debt is to respond to and to provide for the infrastructure and capital project needs of its customers, while ensuring that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality. The District issues debt instruments (either directly or through conduit agencies), administers District-held debt proceeds and makes debt service payments, acting with prudence and diligence, and attention to prevailing economic conditions. This policy documents the District's goals for the use of debt instruments and provide guidelines for the use of debt for financing the District's infrastructure and project needs.

The District believes that debt is an equitable means of financing projects and represents an important means of providing for the infrastructure and project needs of the District's customers. Debt will be used to finance projects (i) if it meets the District's goal of equitable treatment of all customers, both current and future, (ii) if it is the most cost-effective means available to the District, and (iii) if it is fiscally prudent and responsible under the prevailing economic conditions. The pay-as-you go method (using current revenues to pay for long-term infrastructure and other projects) may be the preferred means of financing when sufficient revenues and reserves can be available as it avoids interest expense. The District will endeavor to pay for all infrastructure and other projects from a combination of current revenues, available reserves, and prudently issued debt.

The District's debt and financial management policy is designed to:

- Establish parameters for issuing debt;
- Provide guidance to decisions makers with respect to all options available to finance infrastructure and other capital projects, and so that the most prudent, equitable and cost effective method of financing can be chosen;



Investment and Tracking of Bond Proceeds



Investment of Bond Proceeds

- Escrow: a portfolio of securities that is purchased at the lowest allowable or achievable cost, and that provides cash flows sufficient to defease a set of liabilities.
 - Escrow yield is one of the two major drivers of savings on a refunding transaction.
 - Appropriate strategy might save millions of taxpayer dollars.
- United States Treasury Securities, State and Local Government Series (SLGS).
 - Designed for the investment of tax-exempt bond proceeds.
- Open-market securities are purchased from secondary market broker dealers.
- Issuer can engage in various asset management strategies.

ACTIVE MANAGEMENT	PASSIVE STRATEGIES
Real-time monitoring of holdings through time	Periodic/ad-hoc monitoring
More frequent trades to manage duration and/or liquidity	Wholesale restructurings to rebalance to target
Greater ability to take advantage of short-term securities mispricings	No ability to take advantage of short-term opportunities
Enhanced ability to add incremental net value	May require substantial changes in market conditions to add value
Advisor has fiduciary responsibility	No fiduciary responsibility once portfolio is structured



Tax Compliance

- Track expenditures of tax-exempt bond proceeds.
- Retain records.
- Spend tax-exempt bond proceeds on capital projects.
- Spend tax-exempt bond proceeds within 3-5 years.
- Rebate the federal government if unexpended bond proceeds earn arbitrage (interest in excess of the interest rate on the bonds).
- Bond counsel will prepare the tax certificate documenting these obligations. ASK questions if you don't understand.
- Complying with tax covenants: (1) preserves the tax exemption of bonds; and (2) keeps issuers out of trouble if the IRS audits a bond financing.



Continuing Disclosure



Purpose of Continuing Disclosure

- **SEC Rule 15c2-12** prohibits any underwriter from purchasing or selling municipal securities unless the issuer has committed to providing continuing disclosure regarding the security and issuer, including information about its financial condition and operating data.
- **Unlikely that the initial buyers of the bonds will hold the bonds until they mature. These disclosures allow bonds to be traded in the secondary market after they are issued because the initial disclosure quickly becomes stale.**
- **SEC Rule 15Ga-1 disclosures** are related to asset-backed securities.
 - Form ABS-15G
- **Voluntary disclosures** provides bondholders and other market participants with useful information in assessing the bonds.

SEC Rule 15c2-12

- Issuer enters into an agreement to provide certain information to the Municipal Securities Rulemaking Board (MSRB) about the securities on an ongoing basis. Such continuing disclosure agreements normally require the following:
 - Annual Financial Information: financial information, operating data, FYE audit statements of issuer (and obligor as applicable).
 - Event Notice: P&I payment delinquencies, non-payment related defaults, unscheduled draws on credit enhancements, bond calls, defeasances, rating changes, entry into private placements payable from same revenues, defaults and more.
- Disclosures must be submitted on or before the date specified in the Continuing Disclosure Agreement (CDA). Disclosure of listed events must be submitted within 10 business days of the event.
- Exemptions:
 - The entire issue is for less than \$1 million.
 - The bonds are sold to no more than 35 sophisticated investors in units of no less than \$100,000.
 - The bonds are sold in \$100,000 minimum denominations and mature in nine months or less from initial issuance.
 - The bonds were issued prior to July 1995 (or prior to December 1, 2010 for certain variable rate bonds).



Voluntary Disclosures

- **Additional Financial Information**

- Effect of COVID-19 pandemic.
- Quarterly/monthly financial information and interim/additional financial/ operating data.
- Change in fiscal year/timing of annual disclosure.
- Accounting standards (GAAP/GASB/FASB) and changes in accounting standards.
- Budget.
- Investment/debt/financial policy.
- Material provided to rating agency or credit/liquidity provider.
- Consultant reports.
- Other financial/operating data.
- Bank loan and alternative financing disclosures.

- **Other Information**

- Timing of and accounting standard used for annual financial disclosure, pre-sale documents (including POS), investor and rating agency presentations, links to investor websites.

- **Additional Event Notices**

- Amendment to continuing disclosure undertaking and change in obligated person.
- Certain communications from the IRS (other than those included under SEC Rule 15c2-12).
- Bid for auction rate or other securities and derivative or other similar transaction.
- Capital or other financing plan.
- Litigation/enforcement action.
- Change of tender agent, remarketing agent, or other on-going party.
- Other event-based disclosures



Know your CDA Obligations

- Issuers enter into CDAs at the time of bond issuance to enable their underwriters to comply SEC Rule 15c2-12.
- Best Practices:
 - Issuers should work with their bond counsel, underwriter and Municipal Advisor to determine the appropriate information and detail to be included in a CDA, and should be aware of the events that must be disclosed. Prior to execution, CDAs should be discussed with the issuer's bond counsel, underwriter and Municipal Advisor to ensure a full understanding of issuer obligations.
 - List the required reporting events as stated by the SEC and your CDA; each bond issue *may* have different requirements.
 - Ensure accuracy and timeliness of reported information.
 - Identify the person who is designated to be responsible for making the filings.
- Rating Changes
 - Most common disclosure failure is change in ratings.
 - Set up ticklers for rating changes.
- Retain a Dissemination Agent or Handle In-House?



Disclosure Location

Home > Issuers By State > California > Issuer Homepage

Issuer

[Return to search results](#)



LONG BEACH CALIF HBR REV (CA)

Click on a tab to access data and documents about this issuer's municipal securities.

Issuer's Contact Information

This issuer has not provided contact information.

Educational Resources

Financial and Data
Disclosures

Event Disclosures

[Issuer Homepage](#)

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Issues

Trade Activity

Pre-Sale Documents

Official Statements

Refunded Issues

Financial Disclosures

Event-Based Disclosures

Click on the issue description to view details about the issue.

[View all Issues](#) ▾



Disclosure Location

Financial and Data Disclosures

Posting Date ▼	Disclosure Description
03/11/2021	Audited Financial Statements or ACFR: Western Municipal Water District Comprehensive Annual Financial Report
03/11/2021	Annual Financial Information and Operating Data: Annual Report
03/11/2021	Annual Financial Information and Operating Data: Annual Report
03/10/2020	Annual Financial Information and Operating Data: Annual Report
03/10/2020	Annual Financial Information and Operating Data: Annual Report
03/10/2020	Annual Financial Information and Operating Data: Annual Report
02/21/2020	Audited Financial Statements or ACFR: Western Municipal Water District Comprehensive Annual Financial Report (Modified 02/21/2020)
03/11/2019	Audited Financial Statements or ACFR: Western Municipal Water District Comprehensive Annual Financial Report
03/11/2019	Annual Financial Information and Operating Data: Annual Report
03/11/2019	Annual Financial Information and Operating Data: Annual Report

Event Disclosures

Posting Date ▼	Disclosure Description
08/27/2021	Bond Call
05/19/2021	Rating Change: Rating Change - Fitch Ratings Upgrade
08/28/2020	Bond Call
08/28/2020	Bond Call
07/15/2020	Defeasance: Notice of Defeasance
06/05/2020	Rating Change: Notice of Material Event - Fitch Ratings Upgrade
08/30/2019	Bond Call
08/26/2019	Bond Call
08/30/2018	Bond Call



Investor Outreach



Determining the Need for an Investor Outreach Program

- Questions to consider:
 - Was there a bond recently issued?
 - When was the last time a bond was issued?
 - Where are you placed when compared to your competitors?
- Developing an outreach program
 - Individual investors, financial professionals, pension and endowment funds, defined contributions plans.
 - Conferences, roadshows, emails, phone calls, other marketing reports.
 - Getting feedback.
 - Careful: AVOID selective disclosure (information goes to some investors but is not available to all) – if an investor asks questions when a POS has been distributed, put the information in the Official Statement so all investors can see it.



Where Do Investors Go for Their Information?

- MSRB EMMA website for financial and event filings.
- Issuer website.
- News Release.
- Advisors, brokers, fund managers, and analysts.
- Other databases (Bloomberg, Datastream, CapitalIQ, MorningStar, Thomson Reuters, etc.).

Thomson Municipal News as of Wed, 11/14/2018, 3:08 PM

3:05	RTRS: \$20.325M BRAINERD ISD #181, ULT G.O., MN
3:02	RTRS: CS: \$58.30M DISTRICT OF COLUMBIA GOLDMAN SACHS & CO. LLC
2:56	RTRS: WITH FY 2019 BUDGET APPROVED, CHICAGO'S FOCUS TURNS TO PENSIONS
2:55	RTRS: \$21.015M JAMES CITY CO ECON DEV AUTH, REVENUE, VA
2:55	RTRS: \$25.365M BENSON ISD #777, ULT G.O., MN
2:54	RTRS: CS: \$2.00M PORTAGE TOWNSHIP SCHOOLS, INDIANA BAIRD
2:53	RTRS: \$26.82M OHIO DEPARTMENT OF ADMINISTRATIVE SERV J.P. MORGAN SECURITIES LL

[MORE MUNICIPAL NEWS](#)

Top 5 Competitive Issues for Wednesday, 11/14/2018

AMT (000'S)	ISSUER	SALE TIME
\$94,915	Texas	11:00 AM E
85,000	Washoe Co SD	
77,055	Virginia Transp Bd	
73,140	Ohio Sec of State[D]	
43,090	Virginia Hsg Dev Auth[D]	

[MORE COMPETITIVE](#)

Top 5 Negotiated Issues

AMT (000'S)	ISSUER
\$595,000	Michigan Strategic Fund
587,225	S Carolina Jobs-Econ Dev
426,430	Los Angeles Dept of Vtr & Pwr
400,965	New Jersey Econ Dev Auth
275,085	Philadelphia

[MORE NEGOTIATED](#)

Muni CDRA

383 Records Found

Start	End	Issue Name	State	Min	Max	Tax	Senior MGR	Int Cost	Status	Type
02/13/12	02/13/12	ADAMS CO SD -REF	ST	9.380	Q	ROSS SINCLAIRE & A	FINAL	NEG		
02/13/12	02/13/12	ADAMS CO SD-REF	OH	106.240	N	RBC CAPITAL MARKE	WED	NEG		
02/13/12	02/13/12	ADAMS-ARAPAHOE JT SD #28J	CO	2.430	N	RBC INC	FINAL	NEG		
02/13/12	02/13/12	ALDINE ISD -REF	TX	19.340	N	RBC CAPITAL MARKE	FINAL	NEG		
02/13/12	02/13/12	ANCHOR BAY SD -REF	MI	34.340	N	STEFEL NICOLAUS & C	THUR	NEG		
02/13/12	02/13/12	ARIZONA WATER INFRS -TXBL	AZ	61.485	T	MORGAN STANLEY	THUR	NEG		
02/13/12	02/13/12	ARIZONA WATER INFRS FIN	AZ	174.905	N	MORGAN STANLEY	THUR	NEG		
02/13/12	02/13/12	BALLSTON SPA CTRL SD -REF	NY	16.515	N	RBC CAPITAL MARKE	WED	NEG		
02/13/12	02/13/12	BELLEVUE	NE	3.675	Q	AMERITAS INVESTME	FINAL	NEG		
02/13/12	02/13/12	BELMAR BORO BOE	NJ	2.570	Q	ROOSEVELT & CROSS	THUR	NEG		
02/13/12	02/13/12	BIG OAKS MUD	TX	7.350	Q	RBC CAPITAL MARKE	FINAL	NEG		
02/13/12	02/13/12	BOISE ST UNIV -A	ID	32.745	N	BARCLAYS CAPITAL I	THUR	NEG		
02/13/12	02/13/12	BRET HARTE UNHD	CA	5.000	N	GEORGE K. BAUM & C	WED	NEG		
02/13/12	02/13/12	BUFFALO CNTY SD #9	NE	5.860	Q	AMERITAS INVESTME	FINAL	NEG		
02/13/12	02/13/12	BUNKER HILL SD #8	IL	.150	Q	FIRST MIDSTATE INC	FINAL	NEG		
02/13/12	02/13/12	BUNKER HILL SD #8-A	IL	.370	Q	FIRST MIDSTATE INC	FINAL	NEG		
02/13/12	02/13/12	CAMDENTON RSD R-3	MO	8.365	Q	GEORGE K. BAUM & C	FINAL	NEG		
02/13/12	02/13/12	CAMERON PAR SD #4	LA	3.130	Q	MORGAN KEEGAN & C	FINAL	NEG		
02/13/12	02/13/12	CAMROSA WTR DT FIN AUTH	CA	8.000	N	E.J. DE LA ROSA & CO	WED	NEG		
02/13/12	02/13/12	CENTENNIAL SD #28	OR	.860	N	SEATTLE-NORTHWEST	WED	NEG		
02/13/12	02/13/12	CENTENNIAL SD #28-REF-A	OR	16.390	N	SEATTLE-NORTHWEST	WED	NEG		

New Issues: PHONE:(609)279-3250 FAX:(800)395-9403 EMAIL:newsm@bloomberg.net "N" - Updated Since Last View

Australia 61 2 9777 8600 Brazil 55 11 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2012 Bloomberg Finance L.P. SN 662671 EST GMT-5:00 CEST-3:00 15-Feb-2012 09:00:15

WESTERN MUNICIPAL WATER DISTRICT

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Unclaimed Monies

Special Districts Financial Transactions Report

Water & Sewer Rates

Investor Relations

Debt Information

Western Municipal Water District's Bond Credit Rating

(Click link to view rating report)

The District's historically sound financial and operations management has allowed it to achieve excellent credit ratings. The District, as part of its formalized debt policy, meets with the rating agencies periodically to provide a financial update. A sound credit rating results in lower borrowing costs. The current ratings for the District are as follows:

- Standard & Poor's: AA+ with Stable Outlook
- Fitch: AAA with Stable Outlook

Outstanding Bonds Issues



Reference Materials



GFOA Best Practices & Advisories: Debt

- Debt Management Policy: <https://www.gfoa.org/materials/debt-management-policy>
- Selecting Consultants: <https://www.gfoa.org/buyers-guide-bonds>
- Post-Issuance Compliance: <https://www.gfoa.org/developing-and-implementing-procedures-for-post-issuance>
- Variable Rate Debt: <https://www.gfoa.org/materials/using-variable-rate-debt-instruments>
- ESG Disclosure: <https://www.gfoa.org/materials/esg-disclosure>
- Pension Obligation Bonds: <https://www.gfoa.org/materials/pension-obligation-bonds>

