



BOARD OF DIRECTORS

Agenda Report

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File #: 2024-3508

Agenda Date: 3/27/2024

Agenda Item No: FC-2

FROM: Robert Thompson, General Manager
Originator: Wally Ritchie, Director of Finance

SUBJECT:

WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2024A

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Adopt Resolution No. FC-30 entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District Financing Corporation authorizing the execution and delivery by the Corporation of an Installment Purchase Agreement and a Trust Agreement in connection with the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A, authorizing the execution and delivery of such Revenue Obligations evidencing principal in an aggregate amount of not to exceed \$157,605,000 and authorizing the execution of necessary documents and related actions".

BACKGROUND

On July 26, 2023, the Board of Directors authorized the General Manager to pursue fixed rate refundings of the 2014A Revenue Obligations and 2015A Revenue Obligations. The Orange County Sanitation District (OC San) considered a standalone refunding of the 2014A Revenue Obligations in the fall of 2023; however, due to unfavorable market conditions at the time, the refunding was postponed. Since the Fall of 2023, interest rates have fallen by approximately 1.00% which would allow OC San to generate attractive savings from a refunding of the 2014A Revenue Obligations, and also the 2015A Revenue Obligations. Approval of the recommended actions and the associated documents will enable staff to complete the refunding process. The Financing Corporation is required to adopt the Resolution to complete the refunding.

RELEVANT STANDARDS

- The Financing Corporation is required to adopt the Resolution to complete the refunding. A Financing Corporation is required by the structure of the Revenue Obligations and was formed in April 2000 solely to satisfy this need

PROBLEM

The interest rates payable on the 2014A Revenue Obligations and 2015A Revenue Obligations are higher than current market yields.

PROPOSED SOLUTION

The issuance of up to \$157,605,000 of Wastewater Refunding Revenue Obligations, Series 2024A would allow OC San to refund up to all of the outstanding 2014A Revenue Obligations and 2015A Revenue Obligations using a refunding amortization structured with the objective of providing level annual debt service savings (in years with principal maturing) and to generate net present value debt service savings of approximately \$24.6 million (equal to 15.6% of refunded principal), based on market conditions as of February 26, 2024.

TIMING CONCERNS

OC San can optionally early redeem the 2014A Revenue Obligations as of February 1, 2024, and the 2015A Revenue Obligations starting on August 1, 2024. If the 2014A Revenue Obligations or 2015A Revenue Obligations remain outstanding past the earliest optional redemption dates, OC San would pay interest costs above current market yields.

RAMIFICATIONS OF NOT TAKING ACTION

Not refunding the 2014A Revenue Obligations or the 2015A Revenue Obligations would result in OC San continuing to pay above market interest costs.

PRIOR COMMITTEE/BOARD ACTIONS

July 2023 - The Board of Directors authorized the General Manager to issue new fixed rate Certificates of Participation, to be referred to as Wastewater Refunding Revenue Obligations, in an amount sufficient to refund up to \$39,180,000 of Wastewater Refunding Revenue Obligations, Series 2014A and the Board of Directors authorized the General Manager to issue new fixed rate Certificates of Participation, to be referred to as Wastewater Refunding Revenue Obligations, in an amount sufficient to refund up to \$127,510,000 of Wastewater Refunding Revenue Obligations, Series 2015A.

December 2014 - Adopted Resolution No. FC-23 "A Resolution of the Board of Directors of the Orange County Sanitation District Financing Corporation authorizing the execution and delivery by the Corporation of an Installment Purchase Agreement and a Trust Agreement in connection with the execution and delivery of OC Sanitation District Wastewater Refunding Revenue Obligations, Series 2015A, authorizing the execution and delivery of such Revenue Obligations evidencing principal in an aggregate amount of not to exceed \$150,000,000 and authorized the execution of necessary documents and related actions."

June 2014 - Adopted Resolution No. FC-21 "A Resolution of the Board of Directors of the Orange County Sanitation District Financing Corporation authorizing the execution and delivery by the Corporation of an Installment Purchase Agreement and a Trust Agreement in connection with the execution and delivery of OC Sanitation District Wastewater Refunding Revenue Obligations, Series 2014A, authorizing the execution and delivery of such Revenue Obligations evidencing principal in an aggregate amount of not to exceed \$225,000,000 and authorized the execution of necessary documents and related actions."

ADDITIONAL INFORMATION

The Board of Directors of OC San and the Financing Corporation will each be required to adopt separate Resolutions to complete this refunding. A Financing Corporation is required by the structure of the Revenue Obligations and was formed in April 2000 solely to satisfy this need. The Board of Directors of the Corporation is the same as the Board of Directors of OC San and the Corporation meets after an adjournment of the OC San Board.

The OC San Resolution authorizes the execution and delivery of certain legal documents and the execution and delivery of Wastewater Refunding Revenue Obligations, Series 2024A, evidencing principal in an aggregate amount of not to exceed \$157,605,000. The Resolution of the Financing Corporation is somewhat shorter and simpler and authorizes three actions.

CEQA

N/A

FINANCIAL CONSIDERATIONS

N/A

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Proposed Financing Corporation Resolution No. FC-30
- Draft Installment Purchase Agreement
- Draft Trust Agreement