



BOARD OF DIRECTORS

Agenda Report

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File #: 2021-1839

Agenda Date: 12/15/2021

Agenda Item No: FC-2

FROM: James D. Herberg, General Manager
Originator: Lorenzo Tyner, Assistant General Manager

SUBJECT:

WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2022A

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Adopt Resolution No. FC-29 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 2022A, authorizing the execution and delivery of such Revenue Obligations evidencing principal in an aggregate amount of not to exceed \$107,315,000 and authorizing the execution of necessary documents and related actions."

BACKGROUND

On October 27, 2021, the Orange County Sanitation District 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 (1) up to \$100,645,000 of Wastewater Refunding Revenue Obligations, Series 2012A and (2) up to \$6,670,000 of Wastewater Refunding Revenue Obligations, Series 2012B. Approval of the recommended actions and the associated documents will enable the 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

2012A Revenue Obligations

The interest rates payable on the 2012A Revenue Obligations are higher than current market yields.

2012B Revenue Obligations

The interest rates payable on the 2012B Revenue Obligations are higher than current market yields.

PROPOSED SOLUTION

The issuance of up to \$107,315,000 of Wastewater Refunding Revenue Obligations, Series 2022A would allow the Orange County Sanitation District to refund up to \$100,645,000 of the 2012A Revenue Obligations and \$6,670,000 of the 2012B Revenue Obligations using a refunding amortization structured with the objective a providing level annual debt service savings and to generate net present value debt service savings of approximately \$22.3 million (equal to 20.8% of refunded principal), based on market conditions as of November 18, 2021.

TIMING CONCERNS

2012A Revenue Obligations

The Orange County Sanitation District can optionally early redeem the 2012A Revenue Obligations starting on February 1, 2022. If the 2012A Revenue Obligations remain outstanding past February 1, 2022, the Orange County Sanitation District would pay interest costs above current market yields.

2012B Revenue Obligations

The Orange County Sanitation District can optionally early redeem a portion of the 2012B Revenue Obligations starting on February 1, 2022. If the 2012B Revenue Obligations remain outstanding past February 1, 2022, the Orange County Sanitation District would pay interest costs above current market yields.

RAMIFICATIONS OF NOT TAKING ACTION

2012A Revenue Obligations

Not refunding the 2012A Revenue Obligations would result in the Orange County Sanitation District continuing to pay above market interest costs.

2012B Revenue Obligations

Not refunding the 2012B Revenue Obligations would result in the Orange County Sanitation District continuing to pay above market interest costs.

PRIOR COMMITTEE/BOARD ACTIONS

May 2021 - The Board of Directors of the Orange County Sanitation District Financing Corporation adopted Resolution No. FC-28, 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 2021A, authorizing the execution and delivery of such revenue obligations evidencing principal in an aggregate amount of

not to exceed \$163,775,000 and authorizing the execution of other necessary documents and related actions.

ADDITIONAL INFORMATION

Legal Authorization and Approvals

The Board of Directors of the Orange County Sanitation District and the Financing Corporation will each be required to adopt separate Resolutions to complete this refunding. Drafts of these two Resolutions are available for review on the Orange County Sanitation District's webpage, as described in the "Attachments" section below. 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 the Orange County Sanitation District and the Corporation meets after an adjournment of the Orange County Sanitation District Board.

The Orange County Sanitation District Resolution authorizes the execution and delivery of certain legal documents and the execution and delivery of Wastewater Refunding Revenue Obligations, Series 2022A, evidencing principal in an aggregate amount of not to exceed \$107,315,000 all as spelled out in the title as follows:

"A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ORANGE COUNTY SANITATION DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT AND A CONTINUING DISCLOSURE AGREEMENT IN CONNECTION WITH THE ORANGE COUNTY SANITATION DISTRICT WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2022A, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH REVENUE OBLIGATIONS EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$107,315,000, APPROVING A NOTICE OF INTENTION TO SELL, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL NOTICE INVITING BIDS AND AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH REVENUE OBLIGATIONS AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS."

The Resolution of the Corporation is somewhat shorter and simpler. It authorizes three actions that are similarly enumerated in the title as follows:

"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 2022A, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH REVENUE OBLIGATIONS EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$107,315,000 AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED 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-29
- Draft Installment Purchase Agreement
- Draft Trust Agreement