



Agenda Report

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

SUBJECT:

WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2023A

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 2023A, authorizing the execution and delivery of such Revenue Obligations evidencing principal in an aggregate amount of not to exceed \$39,180,000 and authorizing the execution of necessary documents and related actions".

BACKGROUND

On July 26, 2023, the Orange County Sanitation District (OC San) Board of Directors authorized the General Manager to (A) 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 (B) 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. 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 are higher than current market yields.

PROPOSED SOLUTION

The issuance of up to \$39,180,000 of Wastewater Refunding Revenue Obligations, Series 2023A, would allow OC San to refund up to all of the outstanding 2014A Revenue Obligations using a refunding amortization structured with the objective of providing level annual debt service savings and to generate net present value debt service savings of approximately \$1.1 million (equal to 2.8% of refunded principal or 3.7% of refunded callable principal), based on market conditions as of August 28, 2023.

TIMING CONCERNS

OC San can pay or, optionally, early redeem the 2014A Revenue Obligations starting on February 1, 2024. If the 2014A Revenue Obligations remain outstanding past February 1, 2024, OC San would pay interest costs above current market yields.

RAMIFICATIONS OF NOT TAKING ACTION

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

PRIOR COMMITTEE/BOARD ACTIONS

December 2021 - The Board of Directors of the OC Sant Financing Corporation adopted Resolution No. FC-29 authorizing the execution and delivery by the Corporation of an Installment Purchase Agreement and a Trust Agreement in connection with the OC San 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.

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 2023A, evidencing principal in an aggregate amount of not to exceed \$39,180,000. 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