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City's Debt Overview

HilltopSecurities Presentation to the Santa Paula City Council

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Overview of Outstanding City Debt

Section A

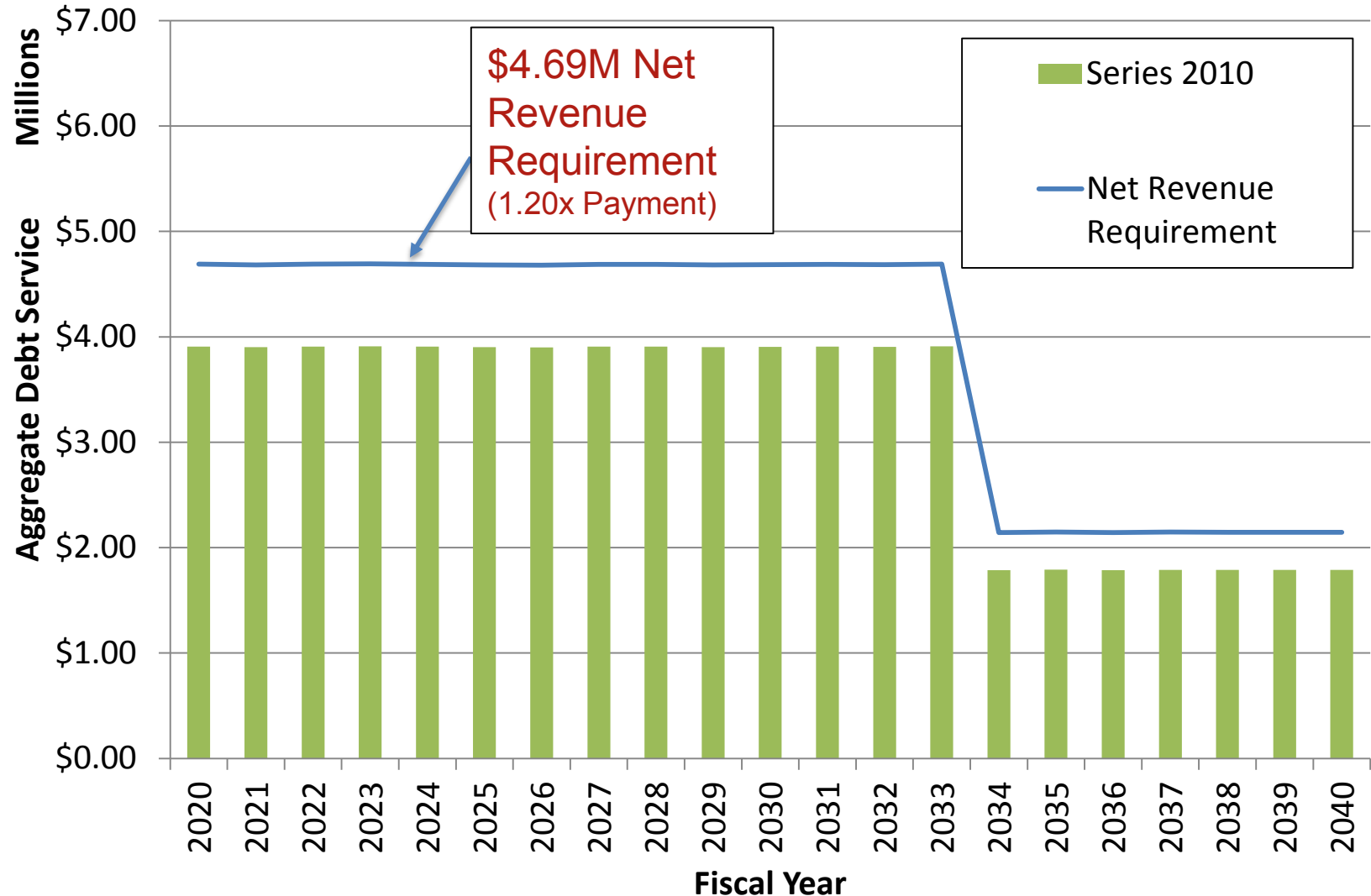
Outstanding Water Fund Obligations - \$43.55 million

- Water Revenue Bonds are paid solely from Net Revenues of the Water System
- First opportunity to refinance 2010 Bond starts in Dec 2019, projected to generate substantial savings
- City is required to address 1.20x bond debt service covenant

	1
	\$55,715,000 Water Enterprise Revenue Bonds 2010 Series
Outstanding Par Amount	\$43,550,000
Outstanding Coupon Rate	5.000% - 5.250%
Final Maturity	2/1/2040
Credit Rating	S&P: A+ (Stable)
Debt Service Reserve Fund	\$3,910,750
Interest Rate Mode	Fixed Rate
Optional Redemption	2/1/2020 @ 100%
Financing Purpose	Refinanced 2003 Bonds & Raised \$24M for: <ul style="list-style-type: none"> - New/renovated water storage facilities - New/rehabilitation of wells - New pipelines for water transmission

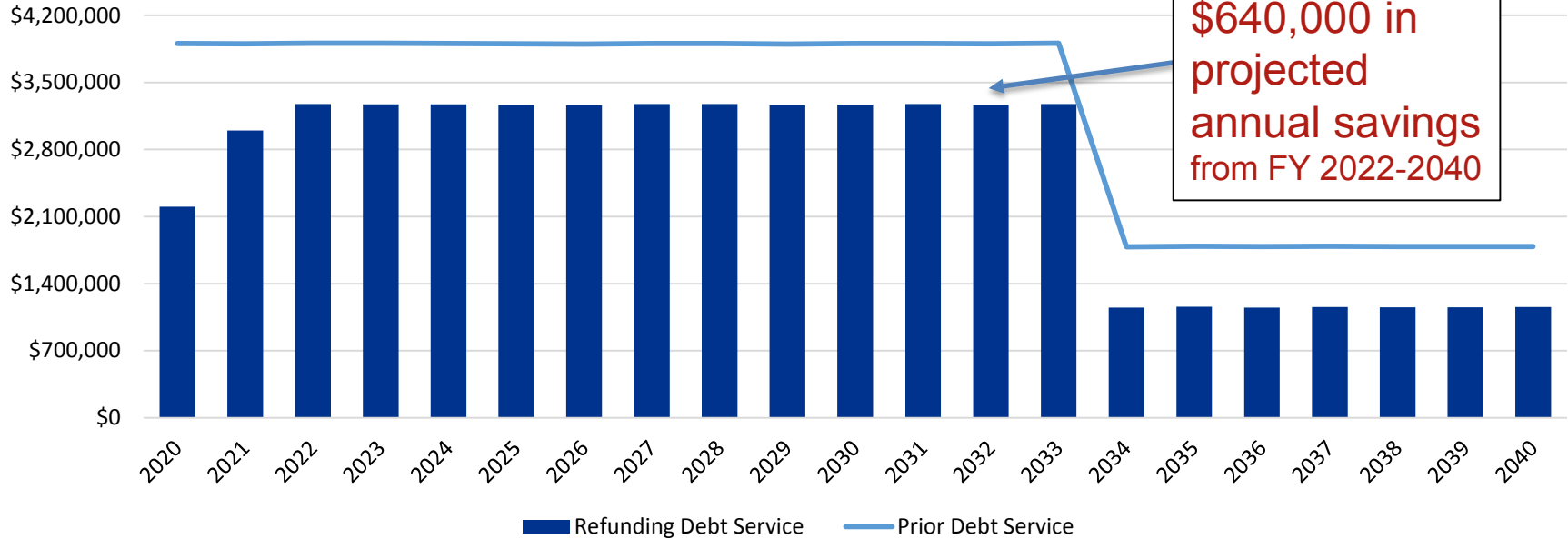
Outstanding Water Bond Debt Service

Water Bond Payments by Series



Water Bond Refunding Scenario: Upfront to Level Savings

Preliminary Series 2019 Refunding Debt Service



Refunding Assumptions	
General Assumptions	\$250k COI, 'A+' Rating
Interests Rates as of	July 30, 2019
Call Date	February 1, 2020
Refunded Series	Water Enterprise Revenue Bonds, 2010 Series
Refunded Maturities	2020 – 2030, 2040
Refunded Bonds	\$43,550,000
Avg. Refunded Coupon	5.113%
DSRF	\$3,910,750

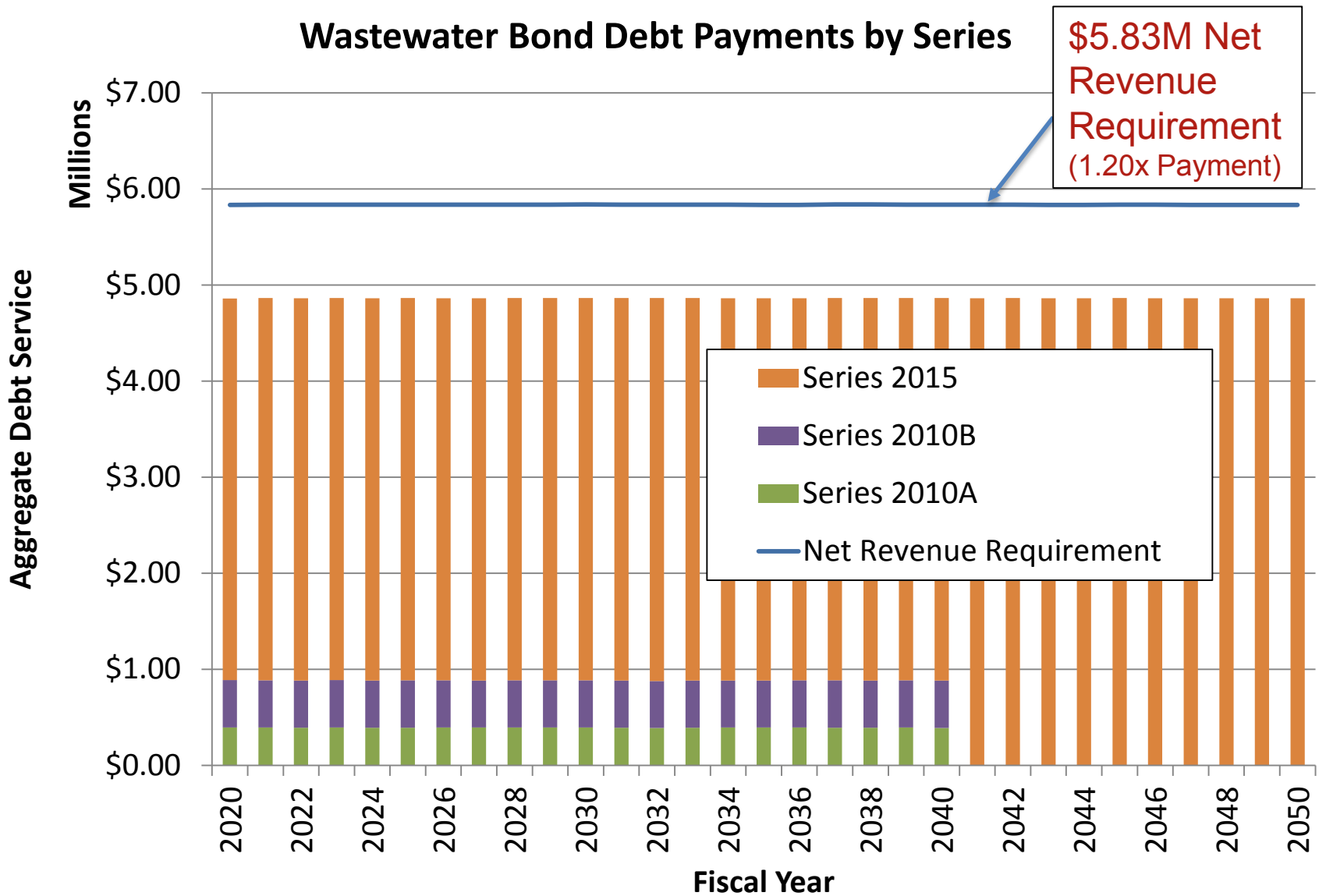
Total Projected Saving Results	
Cash Flow Savings	\$14,676,115
NPV Savings (\$)	\$8,140,465
NPV Savings (%)	18.692%
Avg. Ann. Cash Flow Savings	\$698,863
Average Life	9.5 Yrs.
All-In TIC	2.921%
Negative Arbitrage	\$11,826
Refunding Efficiency	99.85%

Outstanding Wastewater Fund Obligations - \$75.66 million

➤ Repayment from Net Revenues of the Wastewater System

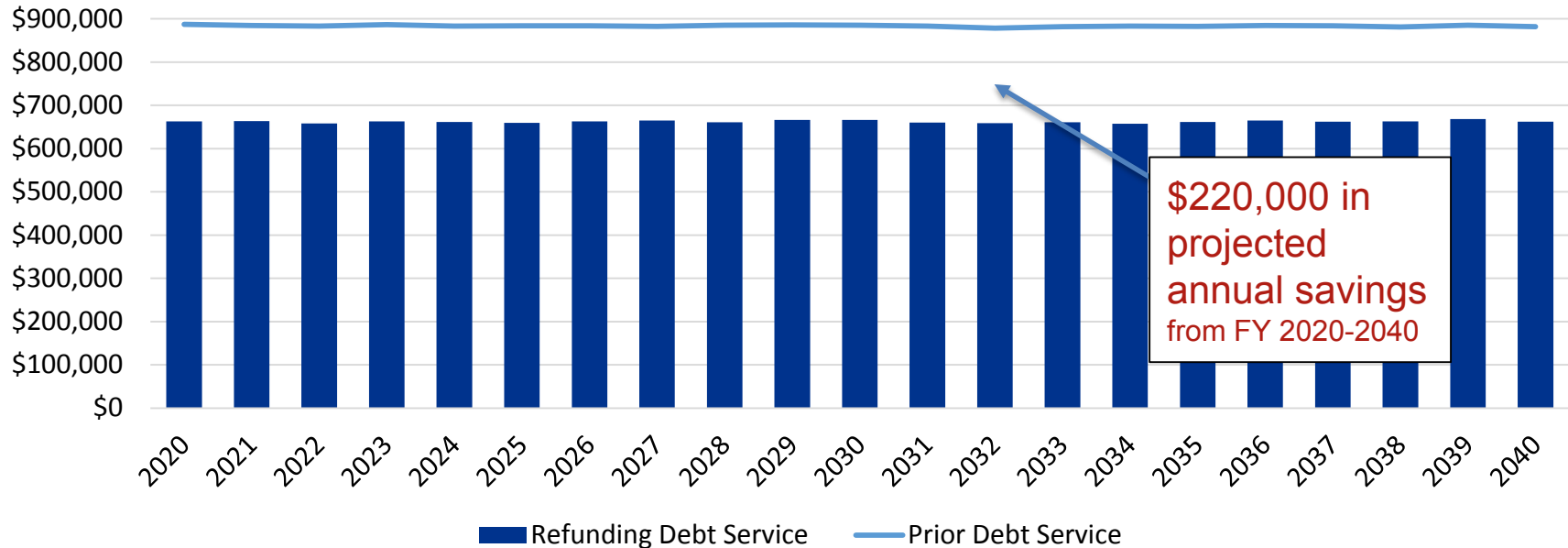
	1	2	3
	\$5,900,000 Wastewater Enterprise Revenue Bonds 2010A Series	\$6,130,000 Wastewater Enterprise Revenue Bonds 2010B Series (Taxable)	\$67,195,000 Wastewater Enterprise Revenue Bonds 2015A Series
Outstanding Par Amount	\$4,950,000	\$5,350,000	\$65,355,000
Outstanding Coupon Rate	5.00% - 5.25%	5.50% - 7.00%	3.50% - 5.00%
Final Maturity	2/1/2040	2/1/2040	2/1/2050
Credit Rating	S&P: A+ (Stable)	S&P: A+ (Stable)	S&P: A+ (Stable)
Debt Service Reserve Fund	\$435,241	\$452,209	\$4,864,000
Interest Rate Mode	Fixed Rate	Fixed Rate	Fixed Rate
Optional Redemption	2/1/2020 @ 100%	2/1/2020 @ 100%	2/1/2025 @ 100%
Financing Purpose	Upfront Lease Payment to the City Street Improvements	Wastewater Collection System Repair	Purchase of Water Recycling Facility

Outstanding Water Fund Debt Service



Refunding Scenario: Tax-Exempt and Taxable, Uniform Savings

Preliminary Series 2019AB Refunding Debt Service



Refunding Assumptions	
General Assumptions	\$250k COI, \$5/Bond UW, 'A+' Rating
Interests Rates as of	July 30, 2019
Call Date	February 1, 2020
Refunded Series	Wastewater Enterprise Revenue Bonds, 2010AB Series
Refunded Maturities	2020, 2030, 2040
Refunded Bonds	\$10,300,000
Avg. Refunded Coupon	6.135%
DSRF	\$887,450

Total Projected Saving Results	
Cash Flow Savings	\$4,647,536
NPV Savings (\$)	\$2,651,714
NPV Savings (%)	25.745%
Avg. Ann. Cash Flow Savings	\$221,311
Average Life	12.2 Yrs.
All-In TIC	3.522%
Negative Arbitrage	\$14,996
Refunding Efficiency	99.44%

Debt Issuance / Management

Section B

- New debt is issued with the following parameters:
 - Ensure compliance with applicable State and Federal laws
 - Maintain full and complete financial disclosure and reporting
 - Demonstrate ability to repay debt in full and on time
 - Achieve the highest practical credit rating
 - Minimize debt service and issuance costs
 - Evaluate the cost-effectiveness of third-party credit enhancement
 - Maintain future access to cost-effective borrowing

City's Debt Issuance Process

- Identify financing need
- Develop financing plan and set key terms
- Coordinate service providers
- Prepare documents
- Seek credit ratings and/or credit enhancement
- Authorize the debt issuance (City Council)
- Market, price and sell the debt
- Issue debt and fund the project

Standard & Poor's Credit Rating Definitions for Long-Term Debt

- The City's rated debt obligations have credit ratings assigned by S&P

Rating Category*	Definition	City's Credit Ratings
AAA	Highest rating. Obligor's capacity to meet its financial commitment is extremely strong	
AA	The obligor's capacity to meet its financial commitment is very strong	
A	More susceptible to the adverse effects of changes in economic conditions. The obligor's capacity to meet its financial commitment is still strong	Water Bonds: A+ Wastewater Bonds: A+
BBB	Adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment (adequate)	
BB; B; CCC; CC; and C	Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics	
D	An obligation rated 'D' is in payment default	

Parties Involved in Debt Issuance

Section C

Parties Involved with the City's Debt Issuance

➤ Bond Counsel

- The law firm retained to provide a legal opinion confirming that the City is authorized to issue proposed securities, the City has met all legal requirements necessary for issuance, and interest on the proposed securities will be exempt from federal income taxation and, where applicable, from state and local taxation
- Prepares, or reviews and advises the City regarding, authorizing resolutions, ordinances, trust indentures, official statements, validation proceedings and litigation

➤ Disclosure Counsel

- The law firm retained to prepare the Official Statement, the Bond Purchase Contract (or the Official Notice of Sale for a competitive sale), the Continuing Disclosure Agreement and any Blue Sky Memoranda
- The Official Statement is the primary and official source of material information about the City and the securities in the transaction
- May render a “10b-5 opinion” to the underwriter for the transaction

Parties Involved with the City's Debt Issuance (cont'd)

➤ Municipal Advisor

- A professional consultant retained to advise and assist the City in formulating and/or executing a debt financing plan to accomplish the public purposes chosen by the City. Advises the issuer on matters pertinent to the debt issue, such as structure, timing, marketing, credit enhancement, fairness of pricing, terms and credit ratings
- Serves the City in a “fiduciary capacity”, representing the City's interests in negotiations with underwriters, rating agencies, banks and other parties
- Firms are required to register with the Securities and Exchange Commission (SEC) and with the Municipal Securities Rulemaking Board (MSRB); regulated by the MSRB

Parties Involved with the City's Debt Issuance (cont'd)

➤ Underwriter

- A dealer which purchases from the City a new issue of municipal securities for resale to investors; has an "arm's-length relationship" with the City
- Firms are required to register with the SEC and with the MSRB, and follow the rules set out by both the SEC and the MSRB

➤ Feasibility Consultant

- The firm retained to express an opinion on the economic feasibility of a revenue-generating facility or enterprise to be undertaken with the proceeds of a debt issue
- The views of the feasibility consultant are taken into account by the credit rating agencies, underwriters and investors in the process of marketing the bonds

Parties Involved with the City's Debt Issuance (cont'd)

➤ Credit Rating Agency

- Credit ratings are intended to measure the probability of the timely repayment of principal of and interest on municipal securities
- The three nationally recognized credit rating agencies are S&P, Fitch, and Moody's

➤ Credit Enhancement Provider

- Typically a commercial bank or bond insurance company that guarantees the timely payment of debt service payments for a distinct period of time or for the life of the debt issue
- Credit enhancement is utilized if it provides an economic advantage to the City

Parties Involved with the City's Debt Issuance (cont'd)

➤ Trustee

- A commercial bank or trust company retained to perform administrative duties relating to a bond issue, such as establishing and holding bond funds and accounts, disbursing bond proceeds for authorized purposes, paying principal and interest to bondholders, and executing investments

➤ Investors/Bondholders

- Investors are persons or firms who purchase bonds. Investors are, in effect, loaning their money to the City in exchange for the City's obligation to repay them with interest. Investors are often thought of in two broad classes: institutional and retail

Debt Management Projects for FY 2020

Section D

Debt Management Projects in FY 2020

➤ General Fund

- Financing of \$6 million in Street Improvements via California I-Bank Loan, Direct Placement Bank Loan, or Public Bond Offering

➤ Wastewater Fund

- Potential refinancing of Wastewater Enterprise Revenue Bonds, Series 2010A&B for refunding savings

➤ Water Fund

- Potential refinancing of Water Enterprise Revenue Bonds, Series 2010 for refunding savings

Method of Sale Comparison for Streets Financing Project

	Public Offering	Private Placement	I-Bank Loan
Estimated Time of Completion	3 months	2 months	3 months + Application Process (Information requests may prolong timeline)
Authorizing Bodies	<ul style="list-style-type: none"> City Public Financing Authority 	<ul style="list-style-type: none"> City (&/or) Public Financing Authority 	<ul style="list-style-type: none"> City I-Bank
Document Requirements / Preparation	<ul style="list-style-type: none"> Bond Counsel prepares Bond documents Disclosure Counsel prepares Official Statement 	<ul style="list-style-type: none"> Bond or Bank Counsel prepares Bond documents No Primary Disclosure Document 	<ul style="list-style-type: none"> I-Bank provides template Resolutions and Loan Documents No Primary Disclosure Document
Credit Approval Process	<ul style="list-style-type: none"> Present City credit information to a rating agency in order to procure bond rating on transaction 	<ul style="list-style-type: none"> City to provide information in accordance with Bank's credit committee requirements 	<ul style="list-style-type: none"> City to provide information in accordance with I-Bank credit checklist Potential follow-up information requests subsequent initial submittal
Cost of Issuance Parties	<ul style="list-style-type: none"> Underwriter Bond Counsel Disclosure Counsel Municipal Advisor Trustee Official Statement Printer Fees 	<ul style="list-style-type: none"> Bond Counsel Municipal Advisor 	<ul style="list-style-type: none"> Bond Counsel / City Attorney Municipal Advisor I-Bank (1.00% of Loan Amount)
Cost of Issuance Fee Estimate	~\$300,000	~\$150,000 Higher Interest Rate	~\$180,000 Lower Interest Rate

I-Bank Loan Financing Timeline / Key Dates

Week	Event
Week 1	<ul style="list-style-type: none"> ▪ City financing team provide preliminary credit package provided to I-Bank ▪ Preconference Call with I-Bank
Week 2-3	<ul style="list-style-type: none"> ▪ I-Bank provides indicate rates ▪ I-Bank internal credit & eligibility review
Week 4	<ul style="list-style-type: none"> ▪ I-Bank invites City to submit formal application
Week 8-12 (60-90 days later)	<ul style="list-style-type: none"> ▪ I-Bank Board approves transaction (subsequent to City Council approving Resolution)
Week 12-16 (At least 30 days after I-Bank Board Approval)	<ul style="list-style-type: none"> ▪ Execute Lease Agreement ▪ Commence Loan Draws

Notable Aspects of I-Bank ISRF Process

- I-Bank Application Submission

- City Council resolution for intent to enter into lease agreement with I-Bank
 - I-Bank provides template of resolution subject to City's legal review
 - City may procure outside bond counsel or rely on City Attorney for review/opinions in regard to the City Resolution and Lease Agreement

- U.S. Bank N.A. is the appointed trustee of project fund escrow

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