



**PALMDALE WATER DISTRICT**  
A CENTURY OF SERVICE

# Palmdale Water District

2023 Water Revenue Bonds

*August 14, 2023*

# Financing Participants

## Issuer

### Palmdale Water District

Dennis LaMoreaux, *General Manager*

Adam Ly, *Assistant General Manager*

Dennis Hoffmeyer, *Finance Manager/CFO*

Scott Rogers, *Engineering Manager*

## Municipal Advisor

### NHA Advisors, LLC

Mark Northcross, *Principal*

Rob Schmidt, *Vice President*

Christian Sprunger, *Associate*

Adrian Gonzalez, *Analyst*

## District Financial Advisor

### Egan & Egan, CPA

Bob Egan

## Bond and Disclosure Counsel

### Stradling Yocca Carlson & Rauth

Reed Glycer, *Shareholder*

Nick Yaeger, *Associate*

## Underwriter

### Hilltop Securities

Mike Cavanaugh, *Managing Director*

Andy Kuo, *Director*

Ted Chapman, *Investment Banking Analyst*



# Proposed Bond Issue

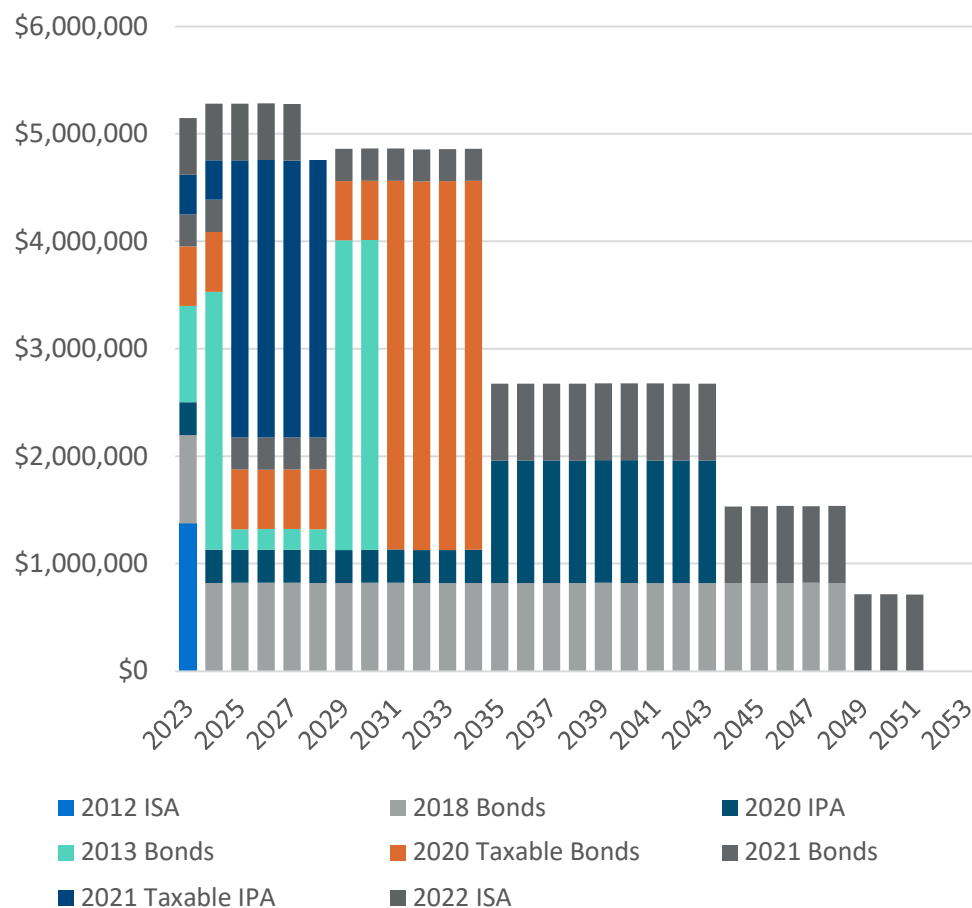
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- ▶ Fund new projects and a refinancing
  - ▶ \$30.5 million in funding for new projects
  - ▶ \$8.2 million for refinancing District's 2013 Bonds
- ▶ Estimated par value of \$42 million
  - ▶ Costs of issuance, bond insurance premium and underwriter's discount are funded from the bond issue
- ▶ Debt service on bonds repaid over 30 years to 2053
- ▶ Principal payments "wrap around" District's existing debt
  - ▶ Rate management: minimizes rate impact on future ratepayers
- ▶ There is no additional rate increase required to support the 2023 bonds
  - ▶ Debt service can be funded with existing revenues

# Existing Debt Structure

- ▶ 2012 Installment Sale Agreement
  - ▶ \$676,476 outstanding
  - ▶ Paid off 10/1/2023
- ▶ 2013 Water Revenue Bonds
  - ▶ \$8,240,000 outstanding
  - ▶ Partially refunded in 2020 and 2021
- ▶ 2018 Water Revenue Bonds
  - ▶ \$12,555,000 outstanding
- ▶ 2020 Installment Sale Agreement (partial refunding of 2013 Bonds)
  - ▶ \$8,952,691 outstanding
- ▶ 2020 Taxable Water Revenue Refunding Bonds
  - ▶ \$14,190,000 outstanding
- ▶ 2021 Bonds
  - ▶ \$9,390,000 outstanding
- ▶ 2021 Taxable Installment Purchase Agreement (Partial refunding of 2013 bonds)
  - ▶ \$10,356,000 outstanding
- ▶ 2022 Private Placement
  - ▶ \$2,178,299 outstanding

Palmdale Water District  
Aggregate Outstanding Debt Service



## What the Proposed 2023 Bonds Will Fund

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- ▶ PWAV related projects comprise \$22 million out of \$30.5 million in total funding

Description	Funding Need from 2023 Bonds	PWAV Project?
Well 36 Equipping	\$4,000,000	Yes
3M Booster Station Rehab <i>(Contract Awarded May 22, 2023)</i>	\$6,300,000	
Demonstration Facility <i>Project Estimate (Contract award estimated October with project start in the spring)</i>	\$14,000,000	Yes
Consulting and Project Management	\$4,000,000	Yes
Recycled Waterline	\$1,567,422	
6M Clearwell (Beam and Structure)	\$650,000	
	<b>\$30,517,422</b>	

# Sources and Uses

## Debt Service\*

Sources Of Funds	
Par Amount of Bonds	\$42,295,000
Net Original Issue Discount	-\$2,110,474
<b>Total Sources</b>	<b>\$40,184,526</b>

Uses Of Funds	
Deposit to Project Construction Fund	\$31,000,000
Deposit to Refunding Escrow (2013)	\$8,348,598
Costs of Issuance*	\$835,927
<b>Total Uses</b>	<b>\$40,184,526</b>

\*Includes underwriting costs, bond and disclosure costs, rating agency costs, municipal advisor fees, bond insurance and surety premiums

- Structured to “wrap” around current debt
- 30-year amortization

Fiscal Year	Principal	Interest	Total Debt Service
2023	\$0	\$0	\$0
2024	\$0	\$1,982,613	\$1,982,613
2025	\$0	\$1,858,700	\$1,858,700
2026	\$0	\$1,858,700	\$1,858,700
2027	\$0	\$1,858,700	\$1,858,700
2028	\$0	\$1,858,700	\$1,858,700
2029	\$0	\$1,858,700	\$1,858,700
2030	\$0	\$1,858,700	\$1,858,700
2031	\$0	\$1,858,700	\$1,858,700
2032	\$0	\$1,858,700	\$1,858,700
2033	\$0	\$1,858,700	\$1,858,700
2034	\$0	\$1,858,700	\$1,858,700
2035	\$705,000	\$1,858,700	\$2,563,700
2036	\$740,000	\$1,823,450	\$2,563,450
2037	\$780,000	\$1,786,450	\$2,566,450
2038	\$815,000	\$1,747,450	\$2,562,450
2039	\$925,000	\$1,706,700	\$2,631,700
2040	\$970,000	\$1,660,450	\$2,630,450
2041	\$1,020,000	\$1,611,950	\$2,631,950
2042	\$1,075,000	\$1,560,950	\$2,635,950
2043	\$1,125,000	\$1,507,200	\$2,632,200
2044	\$2,325,000	\$1,450,950	\$3,775,950
2045	\$2,420,000	\$1,352,138	\$3,772,138
2046	\$2,525,000	\$1,249,288	\$3,774,288
2047	\$2,630,000	\$1,141,975	\$3,771,975
2048	\$2,740,000	\$1,030,200	\$3,770,200
2049	\$3,680,000	\$913,750	\$4,593,750
2050	\$3,835,000	\$757,350	\$4,592,350
2051	\$4,005,000	\$594,363	\$4,599,363
2052	\$4,885,000	\$424,150	\$5,309,150
2053	\$5,095,000	\$216,538	\$5,311,538
<b>Total</b>	<b>\$42,295,000</b>	<b>\$44,963,613</b>	<b>\$87,258,613</b>

*\*Preliminary, subject to change*

## PWAV and the Proposed Refinancing

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- ▶ Should the District decide to go ahead with the PWAV project, significant rate increases will be required
  - ▶ NHA estimates 7% annual increase in water rates will be required for 5 years (2024 through 2028)\*
- ▶ The refinancing of the 2013 bonds “smooths out” a spike in the District’s combined debt service from now through 2026
  - ▶ Smoothing out the spike reduces the required rate increases from 7.2% to 7%, saving ratepayers \$400,000 over the 5-year period
  - ▶ This justifies the net present value loss from the refinancing of \$285,000

\* This estimate is based on conservative assumptions regarding grants. More grants, such as the proposed \$10 billion+ Climate Resilience Bond, would further reduce the rate increases required for PWAV

# Covenants to Bond Owners Made by the District

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## ▶ Rate Covenant

- ▶ Raise rates sufficient to provide Net Revenues equal to 110% of combined debt service on an annual basis
- ▶ Rates may be offset by the application of any funds set-aside in the District's Rate Stabilization Fund

## ▶ Additional Bonds Test

- ▶ Issuance of new debt conditional upon current revenues exceeding maximum annual debt service now or in the future by 10%
- ▶ Meeting this test will require any PWAV financing to be subordinate to the District's existing debt
  - ▶ Subordination will allow revenues from future approved rate increases to be used to meet an additional bonds test



# Proposed Schedule

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● August 9	Credit Rating Call
● August 14	Board Approval of Financing
● August 16	Receive Rating
● August 22	Release POS to Underwriter*
● August 29	Price Bonds*
● September 13	Close Financing*

*\*Dates contingent upon market conditions*