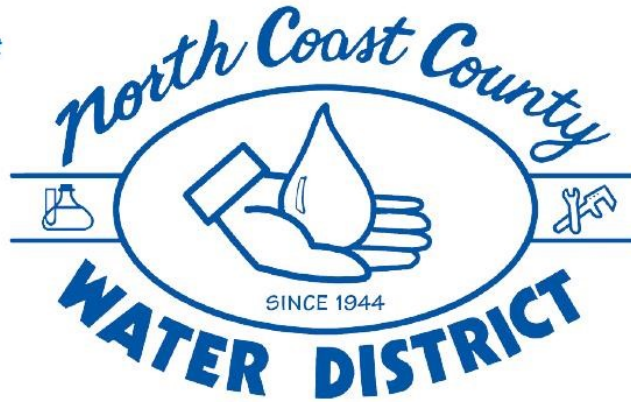


## DIRECTORS

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GENERAL MANAGER

SCOTT DALTON  
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- OPERATIONS

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## AGENDA

### NORTH COAST COUNTY WATER DISTRICT Finance Committee Regular Meeting, September 10, 2021, 9:00 AM

**DUE TO COVID-19 AND IN ACCORDANCE WITH THE GOVERNOR'S EXECUTIVE ORDERS THAT SUSPEND PORTIONS OF THE BROWN ACT, THIS MEETING WILL BE CONDUCTED BY TELECONFERENCE ONLY. MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON. MEMBERS OF THE PUBLIC MAY PARTICIPATE IN THIS MEETING REMOTELY AS FOLLOWS:**

#### **REMOTE PARTICIPATION ACCESS**

Online: <https://us04web.zoom.us/j/78102587355?pwd=NDkzbnZMb3daTTJFMUpLdFBPeVlkdz09>

By Phone: (253) 215 8782

**Meeting ID:** 781 0258 7355 **Passcode:** 188807

1. Call to Order

2. Roll Call

3. Public Comment

Members of the public are invited to participate during the public comment period(s) or when a particular item is introduced. Members of the public are encouraged to participate remotely by submitting comments to [info@nccwd.com](mailto:info@nccwd.com) at least one hour prior to the scheduled start time of the meeting. For comments submitted prior to the meeting, please indicate in your email the agenda item to which your comment applies. Comments submitted before the meeting will be provided to the Committee before or during the meeting. Although public comments are generally limited to three minutes per person per comment, the Committee Chair shall have the discretion to manage the Public Comment process in a manner that achieves the purpose of public communication and assures the orderly conduct of the meeting.

4. Discuss Strategy for Financing of Capital Improvement Program Projects with District's Municipal Advisor and Underwriter/Placement Agent - Attached

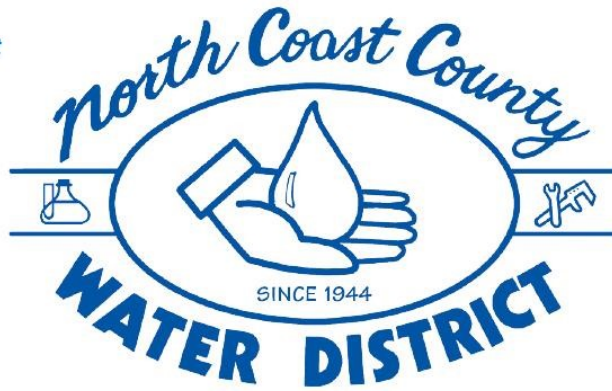
5. Review Draft Debt Management Policy - Attached

## 6. Adjournment

Accessible Public Meetings - Upon request, the North Coast County Water District will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and preferred alternative format or auxiliary aid or service at least three (3) days before the meeting. Requests should be sent to: North Coast County Water District, Attn: Alternative Agenda Request, PO Box 1039, Pacifica, CA 94044-6039.

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## STAFF REPORT

TO: Finance Committee  
FROM: Adrienne Carr, General Manager  
DATE: September 10, 2021  
RE: Discuss Strategy for Financing of Capital Improvement Program Projects with District's Municipal Advisor and Underwriter/Placement Agent

---

### BACKGROUND

The District is exploring possible debt financing options to fund planned capital improvement program projects. In July and August, the District engaged a Municipal Advisor (Wulff, Hansen & Co.), an Underwriter/Placement Agent (D.A. Davidson), and Bond Counsel (Quint and Thimmig), together referred to as the District's Finance Team.

The District's Municipal Advisor has recommended the District follow a dual marketing approach, where the District and its Finance Team will investigate both private and public financing options. Attachment A is a schedule that details the process and steps that need to be taken for each of the financing alternatives.

On August 20, 2021, District representatives and the Finance Team had a kick-off call to go over the dual-marketing approach, including the plan to issue a request for proposals (RFP) to potential private placement investors the following week. On August 24, the District's Underwriter/Placement Agent distributed the RFP, which is included here as Attachment B. Per the RFP, the private placement proposals were due September 8, 2021.

The Finance Team will review the submitted proposals with the Committee and compare the proposed terms to the most recent public offering comparable sales data, to determine the method of sale that the District will pursue for the Financing.

The District's Municipal Advisor will make a recommendation to the Committee if requested.

### RECOMMENDATION

That the Committee review with its Municipal Advisor private investor proposals and public offering comparable sales data with the goal of receiving Committee approval to proceed with

one of the two methods of sale before returning to the full Board for final approval of the financing and approval of the documents related thereto.

**Attachments:**

A: Dual Marketing Financing Schedule, dated August 20, 2021.

B: Request for Proposals – Due Wednesday, September 8<sup>th</sup> at 5:00 p.m. PDT, dated August 24, 2021.



# North Coast County Water District

## Dual Marketing Financing Schedule

Direct Assignment of Installment Sale Agreement/Certificates of Participation secured by ISA

As of August 20, 2021

Date	Task/Event
8/18	<u>Board Meeting</u> to hire Financing Team, including Underwriter/Placement Agent and to pass resolution of intent to issue
8/20	Kick-off call with Financing Team, Staff and Finance Committee members (optional)
8/25	Placement Agent to disseminate Request for Proposal to potential private placement investors
9/8	Receive investor proposals
9/10 @9:00am	<u>Finance Committee meeting</u> with Municipal Advisor and Placement Agent to review investor proposals and receive public offering market projections, <u>committee to make determine if public sale or in-hand term sheet is the desired method of sale</u>

**Public Offering**

9/13	Bond Counsel to prepare POS and transaction documents
9/20*	Contact S&P Global Ratings to schedule rating call
10/4	Rating call with S&P
10/11	Receive rating from S&P
10/13	Agenda deadline for 10/20 Board meeting
10/20	<u>Board meeting</u> to adopt resolution to issue COPs and to approve POS and bond documents
10/22	Mail POS
11/2	Pre-pricing
11/3	Pricing and signing of BPA
11/16	Pre-close
11/17	Close

**Private Placement**

9/13	Accept investor term sheet
9/13	Bond Counsel to prepare transaction documents
9/30	Agenda deadline for 10/7 Special Board meeting
10/7	<u>Special Board meeting</u> to adopt resolution to approve transaction and to approve bond documents
10/8	Signing of Purchase Agreement
10/19	Pre-close
10/20	Close

\*District to receive services with non-contingent fees  
(Rating agency services)

AUGUST						
Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4
5	6	7	8	9	10	11
SEPTEMBER						
Su	Mo	Tu	We	Th	Fr	Sa
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2
3	4	5	6	7	8	9
OCTOBER						
Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31	1	2	3	4	5	6
NOVEMBER						
Su	Mo	Tu	We	Th	Fr	Sa
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	1	2	3	4
5	6	7	8	9	10	11

# ATTACHMENT B



505 Montgomery St., 11<sup>th</sup> Floor, San Francisco, CA 94111

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August 24, 2021

**Re:** Request for Proposals – **DUE Wednesday, September 8th at 5:00 p.m. PDT**  
\$23,500,000\*  
North Coast County Water District  
Tax-Exempt Revenue Bonds, Series 2021

On behalf of North Coast County Water District (the “District”), D.A. Davidson, as Placement Agent for the District, is requesting proposals for the purchase of the District’s “Revenue Bonds, Series 2021” (the “Bonds”).

If you are interested in purchasing the Bonds, please submit a proposal containing the information requested herein.

The proceeds of the Bonds will be used by the District to finance a new headquarters facility and water system capital improvements, to pay the costs of issuing the Bonds, and for no other purpose. The headquarters facility will consist of a new Administration Building and Corporate Yard and at this time is expected to cost approximately \$17.5 million. The water system capital improvements will consist of a new water tank and at this time is expected to cost \$6 million. When issued, the Bonds are expected to have a final maturity of 2041 or 2046 as addressed in the Bond Terms. The Bonds will not have a reserve fund.

**Financing Team:**

Financial Advisor: Wulff, Hansen & Co.  
Bond Counsel: Quint & Thimmig, LLP  
Placement Agent: D.A. Davidson & Co.

**Bond Terms:**

Issuer:	North Coast County Water District
Estimated Par Amount:	\$23,500,000*
Purpose:	The proceeds of the Bonds will be applied to (i) a new headquarters facility and water system capital improvements, and (ii) pay costs of issuance of the Bonds.
Interest Payments:	Semi-annual interest payments on October 1 and April 1, commencing April 1, 2022.
Principal Payments:	Annual payments on October 1, commencing October 1, 2022.
Final Maturity Date:	October 1, 2041 or 2046 (pending your proposal)
Credit Rating:	The most recent Bonds issued by the District in 2012 were rated “AA-” by

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\* Preliminary, subject to change.  
*North Coast County Water District  
2021 Revenue Bonds*

S&P Global Ratings on March 2, 2017. The 2021 Bonds will not include any rating. A copy of that S&P rating reported is attached.

Security for Repayment:	Net Revenues pledge (including operating revenues less operating expenses plus non-operating revenues including property taxes)
Reserve Fund:	None
Optional Redemption:	Callable at par any time with 30 days' notice on or after October 1, 2031. <b>The District is interested in receiving proposals that contain shorter redemption options.</b> If your proposal contains a shorter redemption option, please indicate the difference in rate, if any, from the tax-exempt interest rate with the 10/01/31 redemption feature.
Interest Rate:	Fixed. Please include the applicable formula for determining the fixed rate.
Tax Treatment:	Interest on the Bonds will be tax-exempt.
Award by District:	The District expects to award the transaction to the bidder that presents the best combination of terms for the District on approximately September 13, 2021. The District reserves the right, in its sole discretion, to modify any proposal through negotiations and acceptance by the selected proposer. The District also reserves the right to reject any and all proposals.
Expected Closing Date:	October 20, 2021
Other District Obligation:	The District has an outstanding Revenue Bond (the "2012C Bonds") in the principal amount of \$3,230,000 (as of October 1, 2021) that can be advance refunded on a taxable basis. The 2012C Bonds have a final maturity of October 1, 2028. The District would consider proposals that include the refunding of this obligation on a taxable basis.

**Information to be Submitted by Proposer:**

1. Tax-exempt Interest Rate (and a Taxable interest rate for a refunding of 2012 Bonds, as applicable)
2. Terms of rate lock, including (a) when and/or what conditions must be met for the interest rate to be locked, and (b) maximum number of days the rate lock is effective
3. Redemption provision(s)/options
4. Any costs for which the proposer expects reimbursement from the District (i.e. bank counsel, origination fees, etc.)
5. Any additional requirement or desired covenants
6. In addition to the above, please confirm in your proposal that it is your current intent to hold the Bonds to maturity, and that no CUSIPs will be required

**Additional Information:**

Proposals will be evaluated on the basis of both the cost and the structure that best meet the District's objectives. Any and all redemption provisions and other loan features will be considered. **THE DISTRICT RESERVES THE RIGHT TO NOT ACCEPT ANY OR ALL PROPOSALS.**

**Information on District Finances:**

Link to 2021-22 Budget: [https://www.nccwd.com/images/Final\\_Budget\\_and\\_CIP\\_WEB.pdf](https://www.nccwd.com/images/Final_Budget_and_CIP_WEB.pdf)

Link to 2019-20 Audit: [https://www.nccwd.com/images/NCCWD\\_FINAL\\_2020\\_FS.pdf](https://www.nccwd.com/images/NCCWD_FINAL_2020_FS.pdf)

Unaudited Financials (not final, as of 7/1/21): Attached on the following pages.

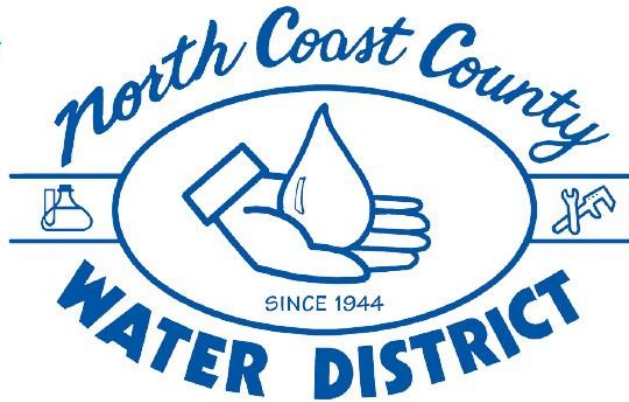
Official Statement for 2012 Bonds: <https://emma.msrb.org/EP662601-EP514916-EP916071.pdf>

Proposals are due Wednesday, September 8th, by 5:00 p.m. PDT. Please submit your proposal to Tom Innis via email at [tinnis@dadco.com](mailto:tinnis@dadco.com), and copy Dana Cojocaruivoska at [dcojocaruivoska@dadco.com](mailto:dcojocaruivoska@dadco.com) and [rfp\\_NCCWD@wulffhansen.com](mailto:rfp_NCCWD@wulffhansen.com).

Please see on the following page for estimated loan amortization schedules. The final size of the loan and annual payments will be adjusted once all costs are determined.

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## STAFF REPORT

TO: Finance Committee  
FROM: Adrienne Carr, General Manager  
DATE: September 10, 2021  
RE: Review Draft Debt Management Policy

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### BACKGROUND

The District is exploring possible debt financing options to fund planned capital improvement program projects.

Government Code section 8855(i), which went into effect January 1, 2017, requires any issuer of public debt to certify before any debt is issued, and as a part of its report of proposed debt issuance submitted to the California Debt Investment Advisor Commission (CDIAC), that it has adopted a local debt policy concerning the use of debt proceeds and that the debt policy includes the following:

- The purpose for which the debt proceeds may be used;
- The types of debt that may be issued;
- The relationship of the debt to and integration with the issuer's Capital Improvement Program or budget;
- Policy goals related to the issuer's planning goals and objectives; and
- Internal control procedures that the issuer has implemented to ensure that the proceeds of the debt issuance will be directed to the intended purposes.

To comply with this code section, the District's bond counsel, in coordination with the District's municipal advisor, prepared the attached draft policy for consideration by the Board setting forth a policy with the following objectives:

- Establish conditions for the District's use of debt;
- Ensure that debt capacity and affordability are adequately considered;

- Minimize the District's interest and issuance costs;
- Maintain the highest possible credit rating;
- Provide complete financial disclosure and reporting; and
- Maintain financial flexibility for the District.

A draft resolution to facilitate the Board's adoption of the Debt Management Policy is also attached to this staff report.

**RECOMMENDATION**

That the Committee review the Debt Management Policy and recommend Board approval.

**Attachments:**

A: North Coast County Water District Debt Management Policy - Draft

B: Draft Resolution of the Board of Directors of the North Coast County Water District Approving a Debt Management Policy

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**NORTH COAST COUNTY WATER DISTRICT**

**DEBT MANAGEMENT POLICY**

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This Debt Management Policy (the “Debt Policy”) of the NORTH COAST COUNTY WATER DISTRICT (the “District”) was approved by the Board of Directors of the District (the “Board”) on \_\_\_\_\_, 2021. The Debt Policy may be amended by Board as it deems appropriate from time to time in the prudent management of the debt of the District.

This Debt Policy will also apply to any debt issued by any public agency for which the Board acts as its legislative body.

The Debt Policy has been developed to provide guidance in the issuance and management of debt by the District or its related entities and is intended to comply with section 8855(i) of the California Government Code effective on January 1, 2017. The main objectives are to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the District’s interest and issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting; and to maintain financial flexibility for the District.

Debt, properly issued and managed, is a critical element in any financial management program. It assists in the District’s effort to allocate limited resources to provide the highest quality of service to the public. The District understands that poor debt management can have ripple effects that hurt other areas of the District. On the other hand, a properly managed debt program promotes economic growth and enhances the vitality of the District for its residents and businesses.

**DEBT MANAGEMENT POLICY**

**1. POLICY STATEMENT**

The District funds its capital projects and meets other financing needs through a combination of current operating revenues, available reserves, outside funding (e.g., grants), and prudently issued debt. This Debt Policy documents the goals and guidelines of the District for the issuance and use of debt instruments.

To achieve optimal credit ratings and endorse prudent financial management, the District is committed to long-term capital and financial planning, and continual review of its financing structure to optimize the overall cost of debt.

The issuance of debt by the District to finance major capital projects or to refinance existing obligations will only occur after the transaction is evaluated to be fiscally prudent and

responsible under the prevailing economic conditions. Prior approval by the Board is required for the issuance of new debt or for the refinancing of existing debt.

## **2. PURPOSE OF POLICY**

The purpose of this Debt Policy is to establish and maintain parameters for issuing debt, and promote objectivity in the decision-making process.

The District will adhere to the following legal requirements for the issuance of public debt:

- State law, which authorizes the issuance of debt;
- Federal and state law, which govern the eligibility of the debt for tax-exempt status;
- Federal and state law, which govern the issuance of taxable debt;
- Federal and state law, which govern disclosure, sale, and trading of the debt, both before and subsequent to issuance; and
- Generally Accepted Accounting Principles (GAAP).

The District hereby recognizes that a fiscally prudent debt policy is required to:

- Maintain the District's sound financial position.
- Ensure the District has the flexibility to respond to changes in future service priorities, revenues, and operating expenses.
- Protect the District's credit-worthiness.
- Ensure that all debt is structured to protect current and future taxpayers, ratepayers and constituents of the District.
- Ensure that the District's debt is consistent with the District's planning goals and objectives and Capital Improvement Program (CIP) or capital budget, as applicable.

## **3. PURPOSE AND USE OF DEBT**

The District will utilize reasonable debt financing as an acceptable and appropriate approach to fund long-term capital improvements and, thus, ensure inter-generational equity of such major improvements among existing and future users of the system. Debt can be issued to fund the capital cost of planning, pre-design, design, land and/or easement acquisition, construction, and related fixtures, equipment, and others costs as permitted by law.

3.1 Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the District. Long-term debt financings are appropriate:

- When a project to be financed is necessary to provide District services.
- When the project to be financed will benefit constituents over several years.
- When total long-term debt financing does not constitute an unreasonable burden to the District and its taxpayers or ratepayers.
- When the debt is used to refinance outstanding debt to reduce the total cost of the debt or to realize other benefits of a debt restructuring, such as increased flexibility in the use of cash and reserves.

Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

The District may use long-term debt financings subject to the following conditions:

- The project to be financed must be approved by the District Board of Directors;
- The District estimates that sufficient revenues will be available to service the debt through its maturity; and
- The District determines that the issuance of the debt will comply with the applicable state and federal law.

3.2 Short-term debt. Short-term debt may be issued to provide financing for the District's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects, such as undertaking lease-purchase financing for equipment.

3.3 Financings on Behalf of Other Entities. The District may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties to further the public purposes of District. In such cases, the District shall take reasonable steps to confirm the financial feasibility of the project to be financed, the financial solvency of any borrower, and that the issuance of such debt is consistent with the policies set forth herein.

#### **4. TYPES OF DEBT THAT MAY BE ISSUED**

The following are types of debt the District could issue:

- A) New Money Debt. New money debt is issued to finance the cost of capital improvement projects or other large or extraordinary costs as approved by the Board;
- B) Refunding Debt. Refunding is debt issued to refinance (refund) previously issued outstanding debt. The District may issue refunding debt to refinance existing principal and/or interest on outstanding debt to achieve debt service savings, restructure scheduled debt service, or convert from variable to fixed interest rate, change or modify the source(s) of payment and security for the refunded debt, or modify covenants otherwise binding on the District;
- C) Lease Financings. Lease revenue bonds, certificates of participation (known as "COPs") and lease-purchase transactions are examples of lease financings.

- D) State Revolving Funds (SRF). The SRF loan program is a low or zero interest loan program made available for specific construction projects. SRF loans are generally structured such that the agency is required to contribute a percentage of the total project cost and receive loan proceeds from the State of California for the balance;
- E) Water Infrastructure and Finance Innovation Act (WIFIA). The WIFIA loan program is a low interest loan program made available by the EPA for specific construction projects. WIFIA loans can fund up to 49% of project costs at a rate generally lower than public offerings and provide significant financing flexibility with regard to principal amortization; and
- F) Lines of credit. The District has the authority to secure lines of credits when it is deemed prudent and advantageous to do so.

The District may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy. Debt shall be issued as fixed rate debt unless the District makes a specific determination as to why a variable rate issue would be beneficial to the District in a specific circumstance.

## **5. RELATIONSHIP OF DEBT TO CAPITAL IMPROVEMENT PROGRAM AND BUDGET**

The District is committed to long-term capital planning. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's capital budget and CIP. The District's Debt Management Policy, Reserve Policy, and Investment Policy will be considered in the decision-making framework utilized in the preparation of the District's CIP and long-term capital and financial planning, and its fiscal year budgeting process.

5.2 The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

5.3 The District shall integrate its debt issuances with the goals of its CIP by timing the issuance of debt to ensure that projects are available when needed in furtherance of the District's public purposes.

5.4 The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to reduce annual budgetary expenditures.

5.5 The District shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general funds.

## **6. DEBT ISSUANCE**

The District is committed to long-term financial planning, maintaining appropriate reserves and employing prudent practices in governance, management and budget administration,

and systematic capital planning. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's annual operations budgets. Adoption of this Debt Policy will help ensure that debt is issued and managed in a manner that protects the public interest.

6.1 Credit Rating. The District intends to protect taxpayers, ratepayers and constituents by using conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical total borrowing costs. The District will seek to maintain optimum credit ratings for debt instruments. District staff, working with the District's Municipal Finance Advisor, shall be responsible for determining whether a rating will be required on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

6.2 Method of Sale. Debt is typically issued under either a competitive or negotiated sale, but may also be sold in a private placement. The District shall have the flexibility to determine which method of sale is appropriate for each debt issuance. Determination of the appropriate method of sale will rest with the General Manager and the District's Municipal Finance Advisor. There are a number of market factors that will affect the success of a debt offering and each should be carefully considered before selecting a method of sale. These factors include, but are not limited to: 1) market perception of the District's credit quality, 2) interest rate volatility, 3) size of the proposed sale, 4) complexity of the proposed issue, and 5) competition with other issuers for investor interest.

## **7. DEBT ADMINISTRATION**

7.1 The District will comply with:

- A) Applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges; and
- B) Applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. Without limiting the foregoing, the District will periodically review the requirements of and will remain in compliance with the following:
  - 1) Any continuing disclosure undertakings entered into by the District in accordance with SEC Rule 15c2-12;
  - 2) Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance;
  - 3) The District's investment policies as they relate to the use and investment of bond proceeds; and
  - 4) California Government Code Section 8855(i) and the annual reporting requirements therein.

7.2 Proceeds of debt will be held either by:

- A) A third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the District upon the submission of one or more written

requisitions by the General Manager of the District (or their written designee); or

- B) The District, to be held and accounted for in a separate fund or account to ensure debt proceeds are expended only for the purposes for which the debt was issued, the expenditure of which will be carefully documented by the District in records compliance with current accounting standards and subject to the District's annual audit.

7.3 Investment of Debt Proceeds. Proceeds of debt will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of safety. The General Manager will oversee the investment of bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issue, while complying with arbitrage and tax provisions.

7.4 Debt Coverage Target. The District will not engage in debt financing unless the proposed obligation, when combined with all existing debts, will result in acceptable debt coverage ratios. In determining the affordability of a proposed debt financing, the District will perform an analysis comparing projected annual net revenues, after payment of operating and maintenance expenditures, to estimated annual debt service and the estimate debt coverage ratio. The debt coverage ratio is the amount of net cash flow available, divided by the annual interest and principal payments on debt.

The District's existing debt covenants for its 2012 revenue bonds through the California Statewide Communities Development Authority require a legal debt coverage ratio of at least 1.20%.

7.5 Debt Service Reserve Balance. District staff will monitor dedicated debt service reserve fund balances, ensuring compliance with related reserve requirements (if applicable), and periodically review the advisability of prepayment or refunding of related debt. The financial advantages of a current refunding must outweigh the cost of issuing the refunding debt by a sufficient margin to justify it. (The California Special Districts Association's best practices for debt management recommend at least 3.0% of the principal amount of the bonds being refunded, determined on a net present value basis.)

7.6 Call Options/Redemption Provisions. District staff will evaluate and recommend to the Board the use of a call option, if any, and a call protection period for each issuance. A call option, or optional redemption provision, gives the District the right to prepay or retire debt prior to its stated maturity. The option may permit the District to achieve interest savings in the future through refunding the debt. The cost of call options can vary widely, depending largely on market conditions, an evaluation of factors such as the call premium, time until the debt may be called at a premium or at par, and interest rate volatility.

7.7 Quarterly Reports. District staff will provide quarterly review and reporting to the Board of the debt's financial performance, including capital expenditures and interest earnings.

7.8 Debt Service Payments. Necessary appropriations for annual debt service requirements will be reflected in the District's annual budget. Staff is responsible for timely annual payments.

7.9 Continuing Disclosure Requirements. The District is responsible for ensuring that the District's annual financial statements, continuing disclosure reports, and material event notifications are posted on the District website and/or the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board. The District may also contract with third-party consultant(s) to comply with its continuing disclosure obligations, and with Securities and Exchange Commission Rule 15c2-12(b)(5).

The District shall submit an annual report to CDIAC for any issuance of debt for which it has submitted a report of final sale on or after January 1, 2017. The annual report shall comply with the requirements of Government Code Section 8855 and related regulations.

7.10 Investor Relations. Information that the District intends to make available to the investing public, including bondholders, rating analysts, investment advisors, or any other members of the investment community shall be filed on the District website and the EMMA website.

The District will maintain proactive communications with the investment community, including rating agencies and investors, to ensure future capital market access at the lowest possible interest rates.

7.11 Records Retention. A copy of all relevant documents and records will be maintained by the District through the final maturity of the debt financing plus ten (10) years. Relevant documents and records will include sufficient documentation to support the requirements related to maintaining the tax-exempt status of the debt financing.

**RESOLUTION NO. \_\_\_\_\_**  
**OF THE BOARD OF DIRECTORS OF**  
**THE NORTH COAST COUNTY WATER DISTRICT**  
  
**APPROVING A DEBT MANAGEMENT POLICY**

**WHEREAS**, pursuant to the provisions of section 8855(i) of the California Government Code, prior to the issuance or incurrence of any debt, the District is required to adopt local debt policies concerning the use of debt and that any proposed debt issuance is consistent with those local debt policies; and

**WHEREAS**, a debt management policy has been developed for the District and the Board desires to adopt such policy in connection with any proposed debt of the District;

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors of the North Coast County Water District:

*Section 1.* The debt management policy, in the form attached hereto as Exhibit A (the “Debt Policy”), is hereby adopted by the Board for the District. The Debt Policy has been developed to provide guidance in the issuance and management of debt by the District or its related entities and is intended to comply with section 8855(i) of the California Government Code effective on January 1, 2017. The main objectives are to establish conditions for the use of debt, to ensure that debt capacity and affordability are adequately considered, to minimize the District’s interest and issuance costs, to maintain the highest possible credit rating, to provide complete financial disclosure and reporting and to maintain financial flexibility for the District.

*Section 2.* The President, the Vice President, the General Manager, the Assistant General Manager and other appropriate officials of the District are hereby authorized and directed to take any actions and execute and deliver any and all documents as are necessary to accomplish the provisions and directives of this Resolution.

*Section 3.* This Resolution shall be effective upon adoption by the Board.

**PASSED AND ADOPTED** this 15th day of September 2021 by the following votes of the  
North Coast County Water District's Board of Directors:

AYES:

NOES:

ABSTAIN:

ABSENT:

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President, Board of Directors

Attest:

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Secretary of the Board

**EXHIBIT A**

**DEBT MANAGEMENT POLICY**

[TO BE ATTACHED PRIOR TO ADOPTION]