

March 22, 2022



CITY OF PLACERVILLE

ANALYSIS AND FUNDING ALTERNATIVES FOR 2006

WASTEWATER BONDS

Summary of Analysis

- Fieldman, Rolapp & Associates, Inc. (“Fieldman”) was selected to assist the City with the contemplated refunding of the Placerville Public Financing Authority Revenue Bonds (Wastewater System Refinancing and Improvement Project), Series 2006 (“2006 Bonds”)
- In coordination with City staff, the following tasks were completed:
 - Reviewed the related financing documents and discussed existing requirements and covenants with legal counsel
 - Calculated debt service coverage and performed rating comparison analysis
 - Compared preliminary public offering vs private placement refunding structures

Related Financing Documents

- The 2006 Bonds were issued on a parity lien to the 1997 State Revolving Fund (“SRF”) Loan and a senior lien to the 2006 SRF Loan
 - The 1997 SRF Loan final payment was in 2019
- Based upon a provision in the 2006 SRF Loan documents, the proposed refunding bonds would be on parity or subordinate to the 2006 SRF Loan, unless both of the following conditions are met:
 - The non-subordinate debt is rated “A” or higher by at least two nationally recognized rating agencies
 - Revenue available to make payments on the 2006 SRF Loan are at least 1.10x the current year’s payment obligation
- Based upon discussions with legal counsel and the City, and the performed analysis, the refunding bonds were projected to be on parity with the 2006 SRF Loan

Debt Service Coverage and Rating Analysis

- Debt Service Coverage
 - Using historical data from the City's audited financials and projections provided by the City, examined the prior five years and projected five years of revenues and expenditures in the Sewer Fund
 - Estimated debt service coverage under multiple refunding scenarios
- Rating Analysis
 - Credit rating agencies examine certain characteristics to determine the debt obligations' assigned rating, some of which include:
 - Median household effective buying income
 - County poverty rate
 - Debt service coverage
 - Days' cash on hand
 - After calculating these characteristics and comparing to the California averages published by S&P, the proposed refunding bonds were projected to fall into an 'A' rating category

Overview of Refunding Analysis

- The 2006 Bonds' outstanding par amount is \$16.6 million
 - Final Maturity of 2034
 - The Bonds are callable on any date at par
 - No underlying rating, only insured rating at issuance (XL Capital Assurance)
- Examined different refunding scenarios and per direction from the City, compared public sale and private placement scenarios assuming proportional savings

Comparing Public Sale and Private Placement*

	Public Sale	Private Placement
Credit Rating	Recommended	Not required
Credit Approval	Underwriter selected and price negotiated; agrees to underwrite unsold balances	Bank credit approval required; limited number of banks
Interest Rate Lock	At pricing; can take advantage of yield curve	Generally, up to 60 days after bank selection; one rate
Offering Statement / Continuing Disclosure	Required / Required	Not required / Limited Scope
Transaction Timeline	4-6 months	2-3 months (or faster)
Costs of Issuance	Generally higher	Lower
Applicability	Rated; frequent issuers, longer term, large size	Non-rated issues, infrequent issuers, shorter term, smaller size
Call Provisions	Generally, 10-year par call, early call might be available at premium	Negotiable covenants

*Specific provisions may vary depending upon bank and/or transaction

Summary of Results*

Key Statistics	Public Sale	Private Placement
Debt Service Reserve Fund	Surety	N/A
Closing Date	7/13/2022	5/17/2022
Par Amount to be Refunded	\$16,600,000	\$16,600,000
Refunding Par Amount	\$13,805,000	\$15,210,000
True Interest Cost (TIC)	2.40%	2.18%
Total Gross Debt Service Savings	\$5,649,129	\$6,236,765
Net Present Value Savings (\$)	\$3,009,934	\$3,506,205
Percentage Savings of Refunded Bonds	18.13%	21.12%
Average Annual Savings (\$)	\$434,548	\$479,751

Public Sale Assumptions

Indicative scale provided by Hilltop Securities with current market rates as of 3/9/22

Assumes COI of \$220k and Underwriter's Discount of \$6.50/bond

Assumes proportional debt service

Prior Debt Service Reserve Fund balance from FY 2019-20 CDAR

Assumes 'A' underlying rating with surety (250 bps) and bond insurance (40 bps)

Private Placement Assumptions

Indicative scale provided by Hilltop Securities with current market rates as of 3/9/22

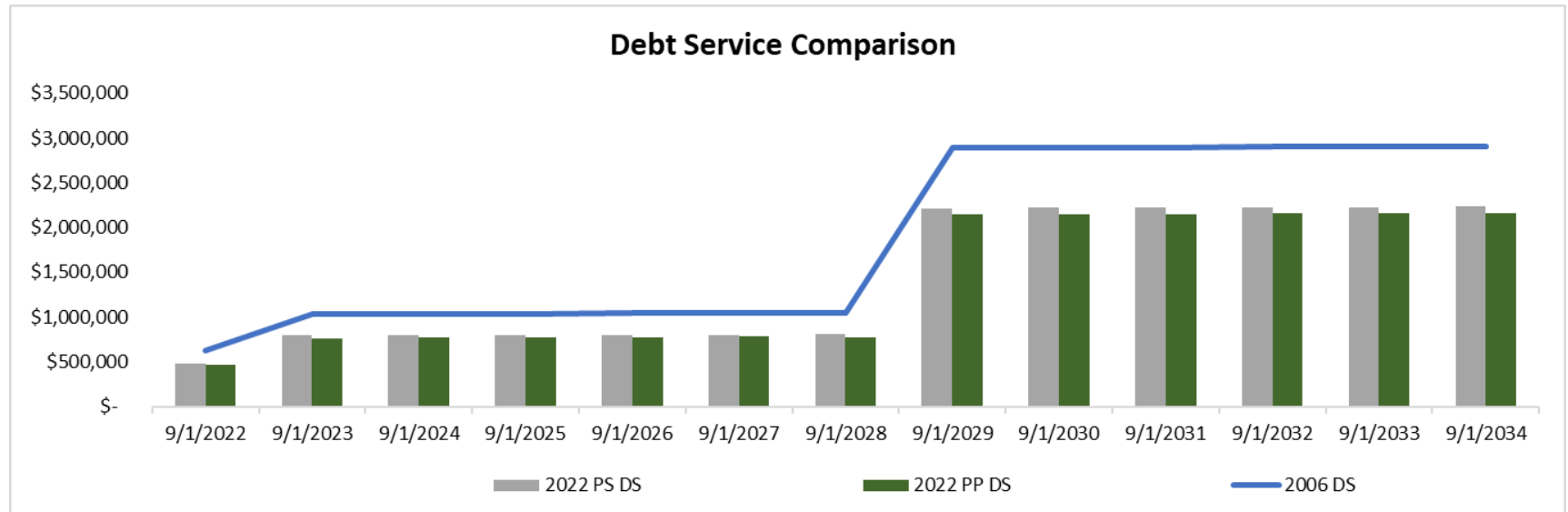
Assumes COI of \$150k

Assumes proportional debt service

Prior Debt Service Reserve Fund balance from FY 2019-20 CDAR

* Preliminary, subject to change; based on the specific rates as of the indicative date.

Summary of Results*



* Preliminary, subject to change; based on the specific rates as of the indicative date.

Summary

- Both refunding alternatives are projected to result in debt service savings
- Which option to choose depends on:
 - City's overall strategic objectives and policies
 - Relationship with 2006 SRF Loan
 - Timing and complexity
 - Revenue pledge
 - Credit profile
 - Market conditions
 - Interest rate risk
 - Projected savings potential

Disclaimer

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