



# Smith Canal Area Assessment District Assessment Revenue Bonds Series 2019

AGENCY BOARD MEETING

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JULY 18, 2019

# Proposed Action

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Approve the form and authorize distribution of a preliminary official statement in connection with the offering and sale of assessment revenue bonds, authorize the sale of the Bonds and approving related documents and actions

# History

Smith Canal Area Assessment District formed in July 2013 to:

- Match State funds for the Smith Canal Control Gate project (the “Project”)
- Fund ongoing operations and maintenance of the Project

In November 2017, after a competitive process, Quint and Thimmig LLP was selected as both Bond Counsel and Disclosure Counsel and Hilltop Securities, Inc. was selected as underwriter

On April 23, 2019 the Board of Supervisors held a public hearing and made a finding of significant public benefit and approved the Agency’s issuance of the bonds

**Mar. 2017**

**28 Mar. 2019**

**July 2013**

**Nov. 2017**

**23 Apr. 2019**

In March 2017 Del Rio Advisors selected as Municipal Advisor and City of Stockton staff, policies, vendor pools and contracts selected to assist bringing an issuance to market

On March 28, 2019, the Board of Directors authorized the issuance and approved a Fiscal Agent Agreement

# Estimated Project Costs & Funding

<b>Total Project Costs (updated)</b>	
Engineering / Soft Costs	14,635,000
Right of Way	576,000
Environmental Review, Permitting & Mitigation	2,106,000
Construction	50,066,000
<b>Total Project Costs</b>	<b>\$67,383,000</b>
<b>Project Funding Sources</b>	
DWR Grants	38,284,000
Smith Canal AD Revenues	13,252,000
Smith Canal AD Net Financing	22,635,000
Agency Debt Service During Construction <sup>(1)</sup>	(3,524,000)
<b>Total Funding Sources</b>	<b>\$70,647,000</b>
<b>Net Available Funding Sources <sup>(2)</sup></b>	<b>\$3,264,000</b>

(1) Estimated debt service through October 2022

(2) Used to pay Project costs pending reimbursement from State grant funds and potential unexpected cost overruns

# Estimated Financing Summary

Parameter	Current Estimate <sup>(1)</sup>	Previous Estimate <sup>(2)</sup>
Estimated Par Amount of Bonds	\$20,300,000	\$18,855,000
Estimated Proceeds Available for Construction	\$22,635,343	\$19,496,467
True Interest Cost	3.231%	4.174%
Estimated Total Debt Service	\$36,576,443	\$36,171,064
Reserve Fund	Surety Policy	Surety Policy
Estimated Costs of Issuance	\$300,000	\$300,000
Underwriter's Discount	\$4.60 (0.46%)	\$4.60 (0.46%)
Estimated Average Annual Debt Service	\$1,219,215	\$1,205,702
Debt Service Coverage	1.10x	1.10x

(1) Assumes market interest rates as of June 21, 2019, Rated, Insured and Reserve Fund Surety

(2) Assumes market interest rates as of February 13, 2019, Rated, Insured and Reserve Fund Surety

"Not-To-Exceed" parameters:

Maximum Issue Size:	\$25,000,000
Maximum True Interest Cost:	5.00%
Maximum Underwriter's Discount:	1.00%

# Estimated Sources and Uses of Funds

## Sources:

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### Bond Proceeds:

Par Amount	20,300,000.00
Net Premium	3,094,555.30

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23,394,555.30

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## Uses:

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### Project Fund Deposits:

Project Fund	22,635,343.44
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### Delivery Date Expenses:

Cost of Issuance	300,000.00
Underwriter's Discount	93,380.00
Bond Insurance (90 bps)	329,187.98
Surety	36,643.88
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	759,211.86

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23,394,555.30

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# Estimated Debt Service and Coverage

Period Ending	Proposed Principal	Proposed Debt Service	Total Adj Debt Service	Revenue Constraints	Unused Revenues	Debt Serv Coverage
10/01/2020	415,000	1,219,330	1,219,330	1,343,633	124,303	110.19435%
10/01/2021	325,000	1,218,963	1,218,963	1,343,633	124,671	110.22759%
10/01/2022	340,000	1,220,963	1,220,963	1,343,633	122,671	110.04703%
10/01/2023	355,000	1,218,963	1,218,963	1,343,633	124,671	110.22759%
10/01/2024	375,000	1,221,213	1,221,213	1,343,633	122,421	110.02450%
10/01/2025	390,000	1,217,463	1,217,463	1,343,633	126,171	110.36340%
10/01/2026	410,000	1,217,963	1,217,963	1,343,633	125,671	110.31809%
10/01/2027	430,000	1,217,463	1,217,463	1,343,633	126,171	110.36340%
10/01/2028	455,000	1,220,963	1,220,963	1,343,633	122,671	110.04703%
10/01/2029	475,000	1,218,213	1,218,213	1,343,633	125,421	110.29545%
10/01/2030	500,000	1,219,463	1,219,463	1,343,633	124,171	110.18240%
10/01/2031	525,000	1,219,463	1,219,463	1,343,633	124,171	110.18240%
10/01/2032	550,000	1,218,213	1,218,213	1,343,633	125,421	110.29545%
10/01/2033	580,000	1,220,713	1,220,713	1,343,633	122,921	110.06957%
10/01/2034	605,000	1,216,713	1,216,713	1,343,633	126,921	110.43143%
10/01/2035	640,000	1,221,463	1,221,463	1,343,633	122,171	110.00199%
10/01/2036	670,000	1,219,463	1,219,463	1,343,633	124,171	110.18240%
10/01/2037	705,000	1,220,963	1,220,963	1,343,633	122,671	110.04703%
10/01/2038	740,000	1,220,713	1,220,713	1,343,633	122,921	110.06957%
10/01/2039	775,000	1,218,713	1,218,713	1,343,633	124,921	110.25020%
10/01/2040	815,000	1,219,963	1,219,963	1,343,633	123,671	110.13724%
10/01/2041	855,000	1,219,213	1,219,213	1,343,633	124,421	110.20499%
10/01/2042	895,000	1,216,463	1,216,463	1,343,633	127,171	110.45412%
10/01/2043	940,000	1,216,713	1,216,713	1,343,633	126,921	110.43143%
10/01/2044	990,000	1,219,713	1,219,713	1,343,633	123,921	110.15981%
10/01/2045	1,040,000	1,220,213	1,220,213	1,343,633	123,421	110.11467%
10/01/2046	1,075,000	1,221,413	1,221,413	1,343,633	122,221	110.00649%
10/01/2047	1,105,000	1,216,475	1,216,475	1,343,633	127,158	110.45299%
10/01/2048	1,145,000	1,220,563	1,220,563	1,343,633	123,071	110.08310%
10/01/2049	1,180,000	1,218,350	1,218,350	1,343,633	125,283	110.28301%
	20,300,000	36,576,443	36,576,443	40,308,990	3,732,547	



# Estimated Costs of Issuance

<b>Role</b>	<b>Company</b>	<b>Total</b>
Bond / Disclosure Counsel	Quint & Thimmig	\$60,000.00
City / Agency Administration Fee	City of Stockton / SJAFCA	\$84,637.50
Municipal Advisor	Del Rio Advisors, LLC	\$55,000.00
Municipal Advisor Expenses	Del Rio Advisors, LLC	\$750.00
Rating Fee	Standard & Poor's	\$26,000.00
Assessment Engineer	Willdan	\$30,000.00
Overlapping Debt Statement	CalMuni (Reimburse to Willdan)	\$700.00
Fiscal Agent	Wells Fargo Bank, N.A.	\$5,000.00
Fiscal Agent Counsel	Wells Fargo Bank, N.A.	\$2,500.00
Printing / Miscellaneous	Royce Printing	\$10,000.00
Rounding Adjustment / Contingency	Misc.	\$25,412.50
<b>Total Estimated Costs</b>		<b>\$300,000.00</b>



# Proposed Financing Schedule

Date	Action	Status
March 28, 2019	SJAFCA Approval of Financing and Related Documents	√
April 23, 2019	Count Board of Supervisors Public Hearing	√
July 18, 2019	SJAFCA Approval of the Preliminary Official Statement	
Week of Sept. 16, 2019	Draft Documents Sent to Rating Agency and Insurers	
Week of Sept. 23, 2019	Rating Presentation	
Week of Oct. 4, 2019	Due Diligence Call POS Printed and Posted	
Week of Oct. 28, 2019	Pricing	
Week of Nov. 4, 2019	Print and Post Final Official Statement Final Documents Executed	
Week of Nov. 11, 2019	Transaction Closes	

# Documents for Review

**Preliminary Official Statement:** This document is the primary document used by the Underwriter to market the bonds to investors. This document describes information related to the security for the Bonds, SJAFCA, the Project and the Assessment District

**Bond Purchase Agreement:** An agreement by and between the Underwriter and the Agency whereby the Underwriter agrees to purchase the Bonds from the Agency upon the successful sale so long as the purchase is within the established parameters

**Continuing Disclosure Agreement:** An agreement whereby the Agency agrees to provide ongoing annual disclosure to the market related to the Assessment District and the Bonds and agrees to provide certain notices should one or more material events occur

# Recommended Action

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Approve the form and authorize distribution of a preliminary official statement in connection with the offering and sale of assessment revenue bonds, authorize the sale of the Bonds and approving related documents and actions