

Smith Canal Area Assessment District Assessment Revenue Bonds Series 2019



BOARD MEETING

MARCH 28, 2019

History

- Levees along Smith Canal did not meet FEMA's 100-Year flood protection accreditation
- Conceptual plans developed and FEMA Conditional Letter of Map Revision (CLOMR) provided in late 2010
- State approved Early Implementation Project's (EIP) Design Grant in 2011
- Smith Canal Area Assessment District formed in July 2013 to:
 - Match State funds for the Smith Canal Control Gate project (the "Project")
 - Fund operations and maintenance of the Project

Smith Canal Gate Project Costs & Funding

Total Project Costs (updated)	
Engineering / Soft Costs	14,635,000
Right of Way	576,000
Environmental Review, Permitting & Mitigation	2,106,000
Construction	50,066,000
Total Project Costs	\$67,383,000
Project Funding Sources	
DWR Grants	38,283,000
Smith Canal AD Revenues	11,606,000
Smith Canal AD Net Financing (1)	17,775,000
Total Funding Sources	\$67,664,000
(1) After Debt Service	

Proposed Actions

1. Authorize the issuance and sale of assessment revenue bonds to finance flood control improvements for the Smith Canal Area Assessment District, and approving related documents and actions
2. Approve an Addendum to Smith Canal Area Assessment District FY 2018/19 Annual Engineer's Report

Financing Team

- 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
- 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

Estimated Financing Summary

Parameter	Amount ^(*)
Estimated Par Amount of Bonds	\$18,855,000
Estimated Proceeds Available for Construction	\$19,496,467
True Interest Cost	4.174%
Estimated Total Debt Service	\$26,171,064
Reserve Fund	Surety Policy
Estimated Costs of Issuance	\$300,000
Underwriter's Discount	\$4.60 (0.46%)
Estimated Average Annual Debt Service	\$1,205,702
Debt Service Coverage	1.10x

(*) Assumes Investment Grade Rating, Bond Insurance and Surety for the Reserve Fund

"Not-To-Exceed" parameters:

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

Estimated Sources and Uses of Funds

Sources:

Bond Proceeds:

Par Amount	18,855,000.00
Net Premium	1,389,976.50

20,244,976.50

Uses:

Project Fund Deposits:

Project Fund	19,496,466.55
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Delivery Date Expenses:

Cost of Issuance	300,000.00
Underwriter's Discount	86,733.00
Bond Insurance (90 bps)	325,539.57
Surety	36,237.38
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	748,509.95

20,244,976.50

Period Ending	Proposed Principal	Proposed Debt Service	Total Adj Debt Service	Revenue Constraints	Unused Revenues	Debt Serv Coverage
10/01/2019						
10/01/2020	20,000	1,206,157	1,206,157	1,328,788	122,631	110.16706%
10/01/2021	310,000	1,206,444	1,206,444	1,328,788	122,344	110.14090%
10/01/2022	320,000	1,203,269	1,203,269	1,328,788	125,519	110.43152%
10/01/2023	335,000	1,204,669	1,204,669	1,328,788	124,119	110.30318%
10/01/2024	350,000	1,205,431	1,205,431	1,328,788	123,357	110.23341%
10/01/2025	370,000	1,207,056	1,207,056	1,328,788	121,732	110.08501%
10/01/2026	390,000	1,207,631	1,207,631	1,328,788	121,157	110.03259%
10/01/2027	410,000	1,207,156	1,207,156	1,328,788	121,632	110.07589%
10/01/2028	430,000	1,205,631	1,205,631	1,328,788	123,157	110.21512%
10/01/2029	450,000	1,203,056	1,203,056	1,328,788	125,732	110.45103%
10/01/2030	475,000	1,204,431	1,204,431	1,328,788	124,357	110.32493%
10/01/2031	500,000	1,204,494	1,204,494	1,328,788	124,294	110.31921%
10/01/2032	525,000	1,203,244	1,203,244	1,328,788	125,544	110.43382%
10/01/2033	555,000	1,205,681	1,205,681	1,328,788	123,107	110.21055%
10/01/2034	585,000	1,206,544	1,206,544	1,328,788	122,244	110.13177%
10/01/2035	605,000	1,206,069	1,206,069	1,328,788	122,719	110.17514%
10/01/2036	625,000	1,204,138	1,204,138	1,328,788	124,651	110.35185%
10/01/2037	650,000	1,205,700	1,205,700	1,328,788	123,088	110.20884%
10/01/2038	685,000	1,206,575	1,206,575	1,328,788	122,213	110.12892%
10/01/2039	720,000	1,205,613	1,205,613	1,328,788	123,176	110.21684%
10/01/2040	760,000	1,207,813	1,207,813	1,328,788	120,976	110.01608%
10/01/2041	800,000	1,207,913	1,207,913	1,328,788	120,876	110.00697%
10/01/2042	840,000	1,205,913	1,205,913	1,328,788	122,876	110.18942%
10/01/2043	885,000	1,206,813	1,206,813	1,328,788	121,976	110.10725%
10/01/2044	930,000	1,205,350	1,205,350	1,328,788	123,438	110.24084%
10/01/2045	980,000	1,206,525	1,206,525	1,328,788	122,263	110.13348%
10/01/2046	1,020,000	1,204,875	1,204,875	1,328,788	123,913	110.28430%
10/01/2047	1,065,000	1,206,525	1,206,525	1,328,788	122,263	110.13348%
10/01/2048	1,110,000	1,206,263	1,206,263	1,328,788	122,526	110.15745%
10/01/2049	1,155,000	1,204,088	1,204,088	1,328,788	124,701	110.35643%
	18,855,000	36,171,064	36,171,064	39,863,640	3,692,576	

Estimated Debt Service and Coverage

Proposed Financing Schedule

Date	Action
March 28th	SJAFCA Considers Approval of Financing and Related Documents
May 16th	SJAFCA Considers Approval of the Preliminary Official Statement
Week of June 24th	Draft Documents to Rating Agencies and Insurers
Week of July 8th	Rating Presentation
Week of July 29th	Due Diligence Call POS Printed and Posted
Wednesday August 14th	Pricing
Week of August 19th	Print and Post Final Official Statement Final Documents Executed
Wednesday August 28th	Transaction Closes

(*) Schedule does not include public hearing to be held by the County, date to be determined

Estimated Costs of Issuance

Role	Company	Total
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 Engineeer	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
Total Estimated Costs		\$300,000.00

Fiscal Agent Agreement

Governs the terms and conditions of the 2019 Bonds, the role and duties of Wells Fargo Bank, N.A. as Fiscal Agent and governs the flow of funds

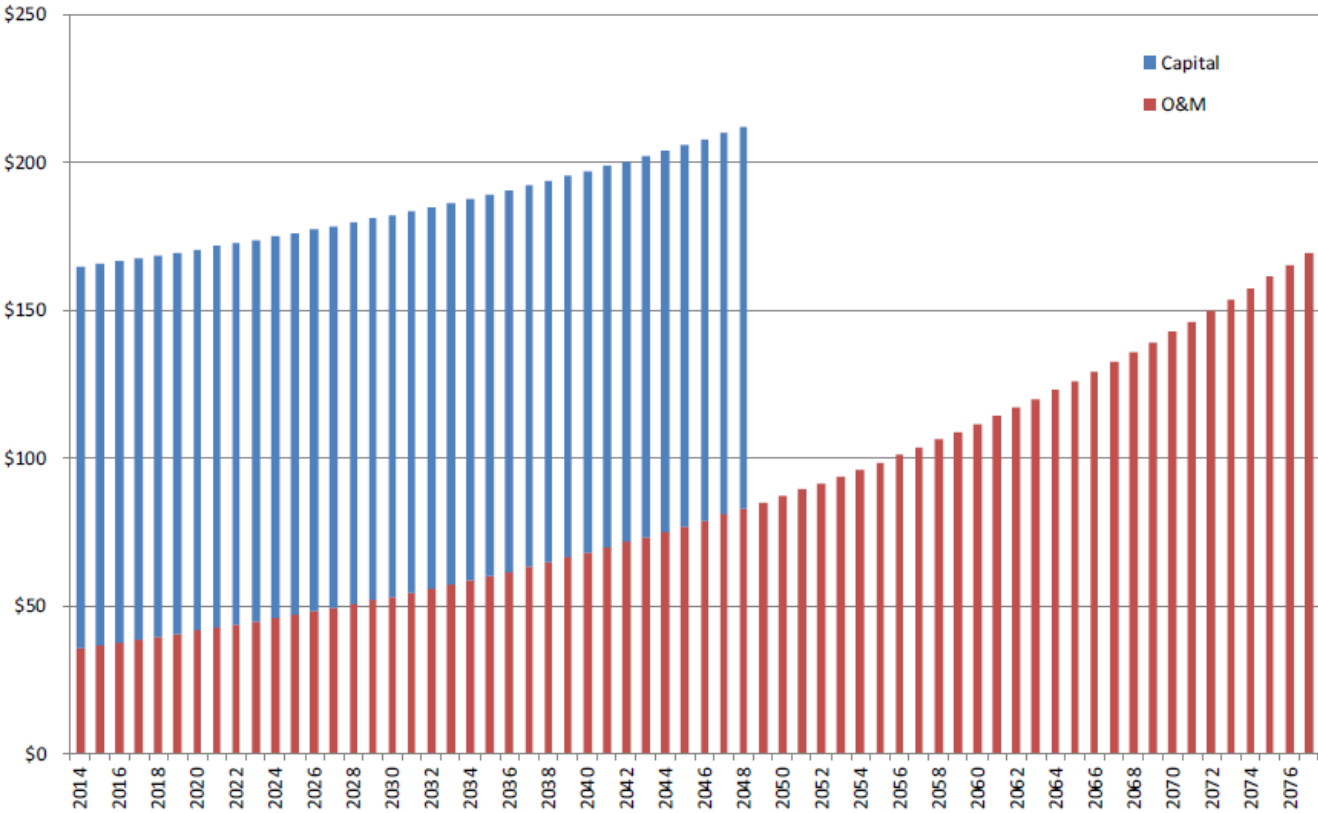
Addendum to 2018/19 Annual Engineer's Report

Purpose:

- Clarifies use of assessment revenues levied and collected;
 - a) prior to the completion of the authorized facilities and the commencement of O&M, and
 - b) after the completion of the authorized facility and O&M commences.
- Addresses assessment rate breakdown when calculating annual escalation for O&M based on an updated analysis of probable O&M costs.

Assessment Revenues for Capital vs O&M/Admin

Annual Assessment Rates Over Time
(Average Single Family Residential Parcel)



Engineer's Report

ER Finance Plan reflected annual levy of the assessment prior to completion of the facility including both the Capital and O&M.

- All annual assessments have been used on a pay-as-you-go basis to fund design, environmental review & permitting
- Has been taking place since 2014/15. Addendum No. 1 clarifies that this will continue until the completion of the facility.

Engineer's Report

Original ER Included an analysis of probable O&M costs

- Provided range - ER identified the mid-point for purposes of setting the maximum annual assessment rate and basis for escalation.
- Updated probable O&M/Admin cost has been prepared based on final design. Projected annual cost of \$347,200 at completion of construction.
 - Addendum No. 1 updates split total Assessment between Capital and O&M /Admin. Clarifies how the annual escalator will apply going forward.

	Capital	O&M/Admin	Total
Current	\$1,272,749	\$401,040	\$1,673,788
Updated	\$1,326,588	\$347,200	\$1,673,788

- Because, escalator applies only to O&M/Admin, future increases will be applied to lower base. This result in lower assessments in the future.

Recommendation

- Authorize the issuance and sale of assessment revenue bonds to finance flood control improvements for the Smith Canal Area Assessment District, and approving related documents and actions
 - The Agency's issuance of the bonds is subject to a required public hearing before the Board of Supervisors and the adoption by the Board of Supervisors of a resolution making findings of significant public benefit and approving the issuance of the Bonds by the Agency.
- Approve Addendum No. 1 to the 2018/19 Smith Canal Area Assessment District Engineer's Report