



SPECIAL BOARD MEETING MINUTES
BOARD OF DIRECTORS
MEETING/WORKSHOP
MALAGA COUNTY WATER DISTRICT
3580 SOUTH FRANK AVENUE
FRESNO, CALIFORNIA 93725
Tuesday, July 16, 2024, at 6:00PM

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a District Board Meeting, please contact the District Office at 559-485-7353 at least 48 hours prior to the meeting, to ensure that reasonable arrangements can be made to provide accessibility to the meeting.

1. Call to Order:

2. Roll Call: President Charles Garabedian, Jr.; Vice President Salvador Cerrillo; Director Irma Castaneda; Director Frank Cerrillo, Jr.; Director Carlos Tovar, Jr.

3. Certification: Certification was made that the Special Board Meeting Agenda was posted 24 hours in advance of the meeting.

4. New Business

- a. **Consideration and necessary action on Resolution No. 07-16-2024** a Resolution of the Board of Directors of the Malaga County Water District Amending the District Policies and Procedures by Adding Policy No. 2036 Titled Pension Funding Policy.

The District does not currently have a formal pension funding policy. Staff, at the direction of the Board of Directors, has drafted a proposed Pension Funding Policy that:

1. Provides guidance in making annual budget decisions;
2. Demonstrates prudent financial management practices;
3. Creates sustainable and affordable budgets for pensions;
4. Provides transparency to employees and the public on how the District's pensions will be funded; and
5. Reassures bond rating agencies.

Recommendation. To approve Resolution No. 07-16-2024 a Resolution of the Board of Directors of the Malaga County Water District Amending the District Policies and Procedures by Adding Policy No. 2036 Titled Pension Funding Policy.

Following public comment, where Miguel Alvarez asked why the District was just adopting this policy now, it was explained by President Garabedian that the pension plan was self-directed and the Board no longer was involved in directing the retirement investments and that the Board understood, until recently, that pension contributions were being made in accordance with the pension plan. Jeff Land also noted that it is not common for a special district the size of Malaga to have such policy and that this was a progressive action by the Board. Following public comment, a discussion was held, Motion by Vice President Cerrillo, Second by Director Tovar, Jr. and by a 5-0 vote to approve Resolution No. 07-16-2024 amending the District Policies and Procedures by adding Policy No. 2036 titled Pension Funding Policy.

- b. **Consideration and Necessary Action on Resolution 07-16-2024A** a Resolution of the Board of Directors of The Malaga County Water District Approving the Execution and Delivery of an Installment Sale Loan Agreement For The Purpose Of Refinancing The Acquisition And Installation of Certain Water System Improvements and Financing Certain Working Capital Costs and Approving the Execution And Delivery of Certain Documents In Connection Therewith and Certain Other Matters.

Staff, at the Direction of the Board of Directors, have sought proposals to refinance certain existing debt and provide funding to pay certain unfunded District liabilities. After considering various funding options, staff is recommending approval of the Agreement attached to the Resolution as Exhibit B. The reasons for recommending the Agreement will be presented to the Board of Directors in a report at the meeting along with an independent analysis of the proposed financing.

Recommendation. To approve Resolution 07-16-2024A a Resolution of the Board of Directors of The Malaga County Water District Approving the Execution and Delivery of an Installment Sale Loan Agreement For The Purpose Of Refinancing The Acquisition And Installation of Certain Water System Improvements and Financing Certain Working Capital Costs, and Approving the Execution And Delivery of Certain Documents In Connection Therewith and Certain Other Matters.

Jeff Land, Executive Director of Oppenheimer, was able to present the details of what the loan agreement entails. The 2024 loan will finance \$400,000 in working capital for the District's water and wastewater systems and provide \$1,000,000 for pension funding. Due to parity debt restrictions, the District needs to refinance existing obligations which include the 2023 wastewater note, the 2019 SRF Loan and the 2022 Installment Purchase agreement. There may not be a need for a third-party analysis as the director representatives, auditor, accountant, District legal counsel, bond counsel, the banks counsel, and the bank have been involved in continuous reviews and conferences to understand the details of what the agreement entails, such details have been fully disclosed to the District Board of Directors. Additionally, given the August 1, 2024, closing date for the loan, there is not sufficient time to obtain a third-party analysis. A copy of the presentation prepared by and delivered to the Board of Directors and public at the meeting is attached hereto and incorporated into these minutes as attachment A.

Public comment followed after the presentation where Miguel Alvarez expressed his concern over the board of directors' apparent lack of awareness regarding the district's financial deficit highlighting a perceived disconnect between the board and the district's fiscal responsibilities. The district's Legal Counsel added that as soon as the board identified the cash flow issue, necessary decisions were made such as hiring consultants, created a budget from zero to complete in under sixty days, and completed a rate study within 30 to 45 days. Challenges were tackled and now the district will move forward in providing transparency to the public and the board.

Motion by Vice President Cerrillo, Second by Director Tovar, Jr. and by a 5-0 vote to approve Resolution 07-16-2024A approving the execution and delivery of an installment sale agreement for the purpose of refinancing the acquisition and installation of certain water system improvements and financing certain working capital costs and approving the execution and delivery of certain documents in connection therewith and certain other matters.

After this item, the President of the Board requested to add two additional items to the agenda, item 4.c., New Blower at the WWTF and item 4.d., Resolution 07-16-2024B to approve signors for the Districts LAIF account. Due to urgency of the matter, these items cannot wait for approval at the next regular board meeting. A motion requires four affirmative votes to pass.

Motion to add both items as 4c and 4d to the agenda as items brought to the attention of the Board after the posting of the agenda that require action before the next Board meeting by Vice President Cerrillo, Second by Director Cerrillo and by a 5-0 vote to add item 4.c. and 4.d. to the agenda.

- c. **New Blower at the WWTF.** CPO Burt Siverling reported that one of the WWTF blower units was shutting down due to overdrawing amps. After testing, it was determined that the motor was drawing 35 amps at full speed/no load and 95 amp under load which exceeds operating limits. CPO Siverling also reported that at the last oil change of the blower, metal was present in the oil. CPO Siverling has received quotes for repairing and replacing the blower unit. Rebuilding the blower unit is estimated to cost between \$12,000 and \$20,000 depending on the amount of work to be done and the shipping costs, if the blower can be rebuilt. It should be noted that it will cost between \$1,500 and \$2,500 to determine if the blower can be rebuilt and rebuilding the blower could take several weeks longer than buying a new blower. A new blower is estimated to cost approximately \$37,600 - \$17,600 core credit for a net cost of approximately \$20,000. This matter is urgent because the blower units at the WWTF work in pairs and the remaining blower unit will operate at twice the normal hours of operation until the faulty blower unit is repaired/replaced and there is no back-up unit available for one side of the WWTF. It is recommended that the board authorize CPO Silvering to order a new blower and have it installed in an amount not to exceed \$24,000.

Recommended action: Board's pleasure.

Motion by Vice President Cerrillo, Second by Director Castaneda and by a 5-0 vote to authorize the purchase of a new blower and have it installed. The amount authorized shall not exceed \$24,000.00.

- d. **Consideration and Necessary Action on Resolution 07-16-2024B** a resolution authorizing signors on the Districts Local Agency Investment Fund Account.

Recommended action: To approve Resolution No. 07-16-2024B to authorize President Charles Garabedian, Jr., Vice President Salvador Cerrillo and Accounting Clerk, Maria Lopez the deposit and withdrawal of MCWD monies in the LAIF fund for the purposes of investment.

Motion by Vice President Cerrillo, Second by Director Tovar, Jr. and by a 5-0 to approve Resolution No. 07-16-2024.

5. **Public Comment:** The Public may address the Malaga County Water District Board on item(s) of interest within the jurisdiction of the Board, not appearing on the agenda. The Board will listen to comments presented; however, in compliance with the Brown Act, the Board cannot take action on items that are not on the agenda. The public should address the Board on agenda items at the time they are addressed by the Board. All speakers are requested to wait until recognized by the Board President. All Comments will be limited to three **(3)** minutes or less per individual/group per item per meeting, with a fifteen **(15)** minutes maximum.

6. **Closed Session: none for this meeting.**

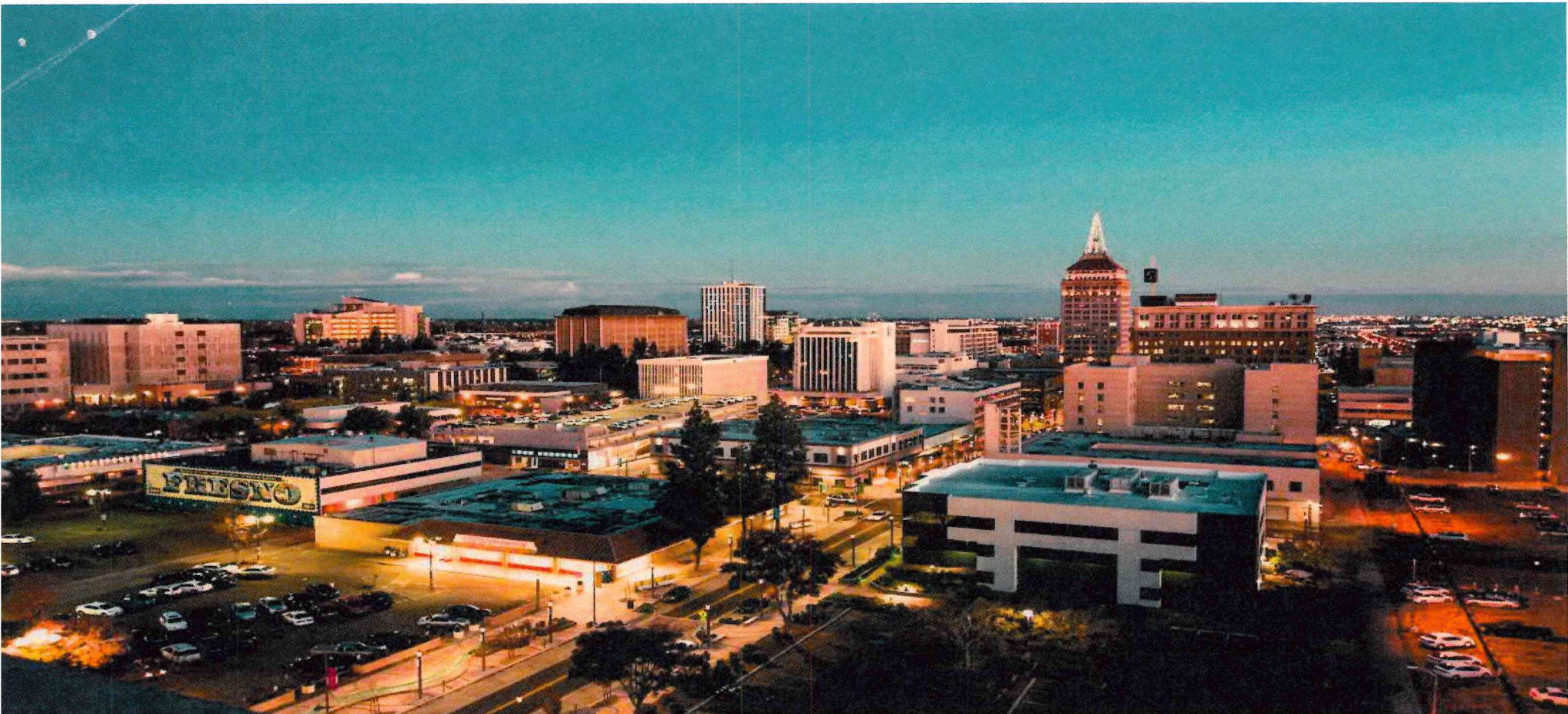
7. **Adjournment:**

Motion by Vice President Cerrillo, Second by Director Castaneda and by a 5-0 vote to adjourn the meeting at 7:09pm.

Certification of Posting

I, Norma Melendez, District Clerk of the Malaga County Water District, do hereby certify that the foregoing minutes for the Special Meeting of the Board of Directors of July 16, 2024, was posted for public view on the front window of the MCWD office at 3580 S. Frank Street, Fresno Ca 93725, on 07/24/2024.

Norma Melendez, District Clerk



Malaga County Water District

2024 Loan Financing Overview



July 16, 2024

The Power of  **PPENHEIMER** Thinking
Wealth Management | Capital Markets | Investment Banking

2024 Loan Financing

The 2024 loan will finance \$400,000 in working capital for the District’s water and wastewater systems and provide \$1,000,000 for pension funding

Due to parity debt restrictions, the District needs to refinance all existing obligations as well

Components

The 2024 financing is comprised of 4 separate components:

- New Money Series, Working Capital & Pensions (**Taxable**)
- Refunding of the 2013 Wastewater Note (**Tax-exempt**)
- Refunding of the 2019 State Revolving Fund Loan (**Tax-exempt**)
- Refunding of the 2022 Installment Purchase Agreement Loan (**Tax-exempt**)

Financing Structure

The Water and Wastewater Systems will each be responsible for different proportions of debt service payments based on covenants from previous obligations:

	New Money Series	2013 WW Note	2019 SRF Loan	2022 IPA
Water System	50%	0%	100%	35.73%
Wastewater System	50%	100%	0%	64.27%

Debt Service Coverage (Water System)

Description	Projected (1) FYE 2025	Projected (1) FYE 2026	Projected (1) FYE 2027	Projected (1) FYE 2028	Projected (1) FYE 2029
TOTAL REVENUE	1,439,385	1,564,435	1,688,710	1,807,057	1,934,368
TOTAL OPERATING EXPENSES	1,244,246	1,322,060	1,388,163	1,457,569	1,530,449
NET REVENUE FOR DEBT SERVICE	195,139	242,375	300,547	349,488	403,919
2019 SRF Loan (Safe Drinking Water Note)	14,012				
2022 Installment Purchase Agreement (2)	38,235				
2024 Loan Agreement (3)		106,753	114,986	115,103	115,027
Total Debt Service	52,247	106,753	114,986	115,103	115,027
Debt Service Coverage	3.73	1.83	2.11	2.61	3.04

(1) Projections are based on the District's rate study approved June 4, 2024.

(2) The Water Fund finances this debt to the extent of 35.73% of the payments due.

(3) The Water Fund finances the new money series to the extent of 50% of the payments due.

Debt Service Coverage (Wastewater System)

Description	Projected (1) FYE 2025	Projected (1) FYE 2026	Projected (1) FYE 2027	Projected (1) FYE 2028	Projected (1) FYE 2029
TOTAL REVENUE	1,773,428	1,905,151	2,035,904	2,176,221	2,285,477
TOTAL OPERATING EXPENSES	1,449,019	1,482,949	1,557,094	1,634,952	1,716,696
NET REVENUE FOR DEBT SERVICE	324,409	422,202	478,810	541,269	568,781
2013 Wastewater Treatment Plant Improvements Note	36,899				
2022 Installment Purchase Agreement (2)	68,777				
2024 Loan Agreement (3)		110,018	122,823	122,939	122,863
Total Debt Service	105,676	110,018	122,823	122,939	122,863
Debt Service Coverage	3.07	3.84	3.90	4.40	4.63

(1) Projections are based on the District's rate study approved June 4, 2024.

(2) The Waste Disposal Fund finances this debt to the extent of 64.27% of the payments due.

(3) The Waste Disposal Fund finances the new money series to the extent of 50% of the payments due.

New Money Series

Financing working capital for water and wastewater systems and the pension fund

Estimated Project Fund	\$1,400,000 ✓
Estimated Cost of Issuance*	\$65,000
Estimated Par Value	\$1,465,000
Total Debt Service	\$2,210,647
Average Annual Debt Service	\$157,903
Final Maturity	January 1, 2038.
Interest Rate	7.01%
Arbitrage Yield	6.65%
All-In TIC	7.88%

50% payable from the Water System, 50% payable from the Wastewater System

*Includes placement agent, bond counsel, and bank counsel fees, and CDIAC/contingency

The Prior 2013 Wastewater Note

This debt financed the construction of improvements to the wastewater treatment plant

Par Value	\$502,500
Total Debt Service	\$737,996
Average Annual Debt Service	\$18,450
Final Maturity	June 20, 2033
Interest Rate	4.05%
Arbitrage Yield	4.05%
All-In TIC	4.05%

100% payable from the Wastewater System

Refinancing of the 2013 Wastewater Note

This debt financed the construction of improvements to the wastewater treatment plant

Estimated Deposit	\$282,787
Estimated Cost of Issuance*	\$21,671
Estimated Par Value	\$305,000
Total Debt Service	\$559,786
Average Annual Debt Service	\$34,987
Final Maturity	January 1, 2040
Interest Rate	5.67%
Arbitrage Yield	6.65%
All-In TIC	6.42%

100% payable from the Wastewater System

*Includes placement agent, bond counsel, and bank counsel fees, and CDIAC/contingency

The Prior 2019 SRF Loan

This debt financed water meters for safe drinking water

Par Value	\$419,766
Total Debt Service	\$419,766
Average Annual Debt Service	\$14,012
Final Maturity	July 1, 2049
Interest Rate	0.00%
Arbitrage Yield	0.00%
All-In TIC	0.00%

100% payable from the Water System

Refinancing of the 2019 SRF Loan

This debt financed water meters for safe drinking water

Estimated Deposit	\$350,287
Estimated Cost of Issuance*	\$21,670
Estimated Par Value	\$372,000
Total Debt Service	\$723,681
Average Annual Debt Service	\$40,204
Final Maturity	January 1, 2042
Interest Rate	5.67%
Arbitrage Yield	5.67%
All-In TIC	6.23%

100% payable from the Water System

*Includes placement agent, bond counsel, and bank counsel fees, and CDIAC/contingency

The Prior 2022 IPA Loan

This debt financed the construction of water well no. 8 and improvements to the sewer system

Par Value	\$887,000
Total Debt Service	\$966,592
Average Annual Debt Service	\$115,375.
Final Maturity	July 26, 2030
Interest Rate	2.00%
Arbitrage Yield	2.00%
All-In TIC	2.99%

35.73% payable from the Water System, 64.27% payable from the Wastewater System

Refinancing of the 2022 IPA Loan

This debt financed the construction of water well no. 8 and improvements to the sewer system

Estimated Deposit	\$697,077
Estimated Cost of Issuance*	\$21,658
Estimated Par Value	\$719,000
Total Debt Service	\$1,477,849
Average Annual Debt Service	\$70,374.
Final Maturity	July 1, 2044.
Interest Rate	5.67%
Arbitrage Yield	5.67%
All-In TIC	5.94%

35.73% payable from the Water System, 64.27% payable from the Wastewater System

*Includes placement agent, bond counsel, and bank counsel fees, and CDIAC/contingency

2024 Loan Financing Statistics

A look at the financing of the loan in the aggregate

Estimated New Money Fund	\$1,400,000
Estimated Cost of Issuance*	\$130,000
Estimated Refunding Deposit	\$1,330,152
Estimated Par Value	\$2,861,000
Total Debt Service	\$4,971,965
Average Annual Debt Service	\$236,760
Final Maturity	July 1, 2044
Interest Rate	5.67% (Tax-exempt), 7.01% (Taxable)
Arbitrage Yield	6.65%
All-In TIC	6.74%

*Includes placement agent, bond counsel, and bank counsel fees, and CDIAC/contingency

Description of Legal Documents

- Authorizing Resolution:

The resolution approves the financing and authorizes the execution and delivery of the Installment Sale Loan Agreement. The resolution provides a not-to-exceed interest rate, financing amount and good faith estimates for net proceeds received from financing, and total payment through maturity.

- Installment Sale Loan Agreement:

Under the Installment Sale Loan Agreement for each Series, Umpqua Bank will purchase the District's 2024 Project and sell the 2024 Project back to the District in order for the District to obtain the financing proceeds. The District will purchase the 2024 Project back from Umpqua Bank with Installment Payments.

The 2024 Project is defined in the Installment Sale Loan Agreement as improvements to and capital facilities for the water enterprise and wastewater enterprise that were financed and or refinanced by the proceeds in connection with the Municipal Finance Corporation 2013 Installment Sale Agreement, the California State Water Resources Control Board 2017 Installment Sale Agreement, and the First Foundation Public Finance 2022 Installment Purchase Agreement.



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