

**AGENDA
COMMISSION MEETING OF THE
CHINO BASIN REGIONAL FINANCING AUTHORITY**

**WEDNESDAY, MAY 20, 2020
9:30 A.M.**

Telecon: (415) 856-9169/Conference ID: 794 202 809#

PURSUANT TO THE PROVISIONS OF EXECUTIVE ORDER N-25-20 ISSUED BY GOVERNOR GAVIN NEWSOM ON MARCH 12, 2020, AND EXECUTIVE ORDER N-29-20 ISSUED BY GOVERNOR GAVIN NEWSOM ON MARCH 17, 2020 ANY BOARD MEMBER MAY CALL INTO THE BOARD MEETING WITHOUT OTHERWISE COMPLYING WITH ALL BROWN ACT'S TELECONFERENCE REQUIREMENTS.

TELECONFERENCE ACCESSIBILITY FOR THE GENERAL PUBLIC:

In all efforts to prevent the spread of COVID-19, until further notice, the Inland Empire Utilities Agency will be holding all Board and Committee meetings by teleconferencing.

The meeting will be accessible at: (415) 856-9169 / Conf Code: 794 202 809#

This meeting is being conducted virtually by video and audio conferencing. There will be no public location available to attend the meeting; however, the public may participate and provide public comment during the meeting by calling into the number provided above. The public may also view the meeting live through the Agency's website. Alternatively, you may email your public comments to the Board Secretary/Office Manager April Woodruff at awoodruff@ieua.org no later than 24 hours prior to the scheduled meeting time. Your comments will then be read into the record during the meeting.

CALL TO ORDER OF THE CHINO BASIN REGIONAL FINANCING AUTHORITY

FLAG SALUTE

PUBLIC COMMENT

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to email the Board Secretary no later than 24 hours prior to the scheduled meeting time or address the Board during the public comments section of the meeting. Comments will be limited to three minutes per speaker. Thank you.

ADDITIONS TO THE AGENDA

In accordance with section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action can be the attention of the local agency subsequent to the agenda being posted.

1. **ACTION ITEMS**

A. **MINUTES**

The Commission will be asked to approve the minutes of the April 15, 2020 Chino Basin Regional Financing Authority Commission meeting.

B. **DEBT MANAGEMENT POLICY APPROVAL**

It is recommended that the Commissioners adopt the proposed Debt Management Policy governing all the Chino Basin Regional Financing Authority's debt.

C. **ADOPTION OF RESOLUTION NO. 2020-5-1, AUTHORIZING THE WATER INFRASTRUCTURE FINANCING AND INNOVATION (WIFIA) LOAN FOR THE RP-5 EXPANSION PROJECT**

It is recommended that the Commissioners:

1. Adopt Resolution No. 2020-5-1, authorizing the incurrence of the Water Infrastructure Financing and Innovation Loan Agreement (WIFIA Loan), entered by the Chino Basin Regional Financing Authority (Authority), as the "Borrower", the Inland Empire Utilities Agency (Agency), as the "Obligor" with respect to the RP-5 Expansion Project, WIFIA Project No. 18124CA, (the Project), and the United States Environmental Protection Agency (EPA), as the "WIFIA Lender", to financing a portion of the Project for the maximum allowable Project costs, not-to exceed principal amount of \$225,000,000, excluding interest and associated fees, for a 35 year term effective May 27, 2020 and a final maturity of November 1, 2060;
2. Approve the WIFIA Installment Purchase Agreement (WIFIA IPA) between the Authority and the Agency which obligates the Authority to apply installment payments received by the Authority from the Agency for the purchase price of the WIFIA portion of the Project to the repayment by the Authority of the principal, interest, and associated fees with respect to the WIFIA Loan, and other related substantially final drafts of the financing documents that have been prepared; and
3. Authorize the General Manager or the designee to execute such documents, subject to non-substantive changes, and authorize certain other matters in connection therewith, as required.

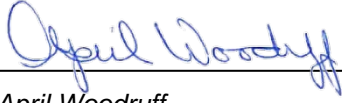
2. **ADJOURN**

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909) 993-1736, 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

Proofed by: *shl*

Declaration of Posting

I, April Woodruff, Board Secretary/Office Manager of the Inland Empire Utilities Agency*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, May 14, 2020.



April Woodruff

ACTION ITEM
1A

**MINUTES
OF THE
COMMISSION MEETING OF
THE CHINO BASIN REGIONAL FINANCING AUTHORITY
APRIL 15, 2020**

COMMISSIONERS PRESENT via Microsoft Teams Meeting:

Jasmin Hall, President
Steven J. Elie, Vice President
Kati Parker, Secretary
Michael Camacho
Paul Hofer

COMMISSIONERS ABSENT:

None

STAFF PRESENT:

Shivaji Deshmukh, General Manager
Daniel Solorzano, Technology Specialist I
Wilson To, Technology Specialist II
April Woodruff, Board Secretary/Office Manager

STAFF PRESENT via Microsoft Teams Meeting:

Kathy Besser, Executive Manager of External Affairs & Policy Development/AGM
Christiana Daisy, Executive Manager of Engineering/AGM
Randy Lee, Executive Manager of Operations/AGM
Christina Valencia, Executive Manager of Finance & Administration/AGM
Jerry Burke, Manager of Engineering
Joseph Cundiff, Network Administrator
Robert Delgado, Manager of Operations & Maintenance
Don Hamlett, Acting Deputy Manager of ISS
Joel Ignacio, Senior Engineer
Cathleen Pieroni, Manager of Government Relations
Albert VanBreukelen, Deputy Manager of Maintenance

OTHERS PRESENT via Microsoft Teams Meeting:

Jean Cihigoyenette, JC Law Firm

A commission meeting of the Chino Basin Regional Financing Authority was held at the office of the Inland Empire Utilities Agency, *A Municipal Water District, 6075 Kimball Avenue Chino, California on the above date.

President Hall called the meeting to order at 9:35 a.m. and led in the Pledge of Allegiance. Board Secretary/Office Manager April Woodruff took a roll call vote and established that a quorum was present.

President Hall stated that members of the public may address the Commission. There was no one desiring to do so.

President Hall asked if there were any additions/deletions to the agenda. There were no additions/deletions to the agenda.

1. ACTION ITEMS

A. MINUTES

Upon motion by Commissioner Hofer, seconded by Commissioner Parker, and carried by roll call vote (4:0):

M2020-4-1

MOVED, to approve the minutes of the January 15, 2020 Chino Basin Regional Financing Authority Commission meeting.

With the following roll call vote:

Ayes:	Hofer, Parker, Elie, Hall
Noes:	None
Absent:	Camacho
Abstain:	None

B. ADOPTION OF RESOLUTION NO. 2020-4-1, ESTABLISHING REGULAR MEETINGS FOR THE CHINO BASIN REGIONAL FINANCING AUTHORITY

Executive Manager of Finance & Administration/AGM Christina Valencia stated that the Chino Basin Regional Financing Authority (CBRFA), a joint powers authority (JPA), was established in 1993 to provide its members financing of public capital improvements for the members of the Authority. The CBRFA JPA Agreement currently requires at least one meeting be held for the election of officers. This annual meeting is currently held in January.

Recent changes to the California Government Code 6592.1 now require approval to issue new debt by a JPAs, such as the CBRFA, only be done during a regularly scheduled meeting.

To date, the Agency has utilized the Authority to issue all bonded debt. Currently, the Agency is evaluating the fixing out of the 2008B Variable Rate Bonds and potential use of interim short-term financing to support the RP-5 Expansion Project should the market condition provide interest cost savings. State regulations now require the CBRFA to set regular scheduled meetings to authorize these transactions going forward. Therefore, in concurrence with the Agency’s legal counsel, staff is recommending regular scheduled CBRFA meetings to align and precede the IEUA Board meeting, which are held on the third Wednesday.

Upon motion by Commissioner Elie, seconded by Commissioner Camacho, and unanimously carried (5:0):

M2020-4-2

MOVED, to adopt Resolution No. 2020-4-1, establishing regular meetings of the Chino Basin Regional Financing Authority Board Commissioners be held at 9:30 a.m. on the third Wednesday of each month, same date as regular meetings of the Board of Directors of the Inland Empire Utilities Agency.

With the following roll call vote:

Ayes:	Elie, Camacho, Hofer, Parker, Hall
Noes:	None
Absent:	None
Abstain:	None

With no further business, President Hall adjourned the meeting at 9:41 a.m.

Commissioner Parker, CBRFA Secretary

APPROVED: May 20, 2020


DRAFT

ACTION ITEM
1B

CHINO BASIN REGIONAL FINANCING AUTHORITY

Date: May 20, 2020

To: The Honorable Commissioners

From: Shivaji Deshmukh 
General Manager

Submitted By: Christina Valencia
Treasurer

Subject: Debt Management Policy Approval

RECOMMENDATION

It is recommended that the Board of Commissioners adopt the proposed Debt Management Policy governing all the Chino Basin Regional Financing Authority's debt (Attachment A).

BACKGROUND

The Chino Basin Regional Financing Authority (the Authority) was established on May 1, 1993 as a Joint Power Authority between the Inland Empire Utilities Agency (the Agency) and the Cucamonga Valley Water District, formerly known as Cucamonga County Water District, to provide its members financing in connection with the acquisition, construction and improvement of public capital improvements, working capital requirements, or insurance programs. To date, all debt issued through the Authority has been for the Agency, including all outstanding bond issues. If approved, the Water Infrastructure Finance and Innovation Act (WIFIA) federal loan financing a portion of the RP-5 Expansion Project (the Project) will also be issued through Authority.

The proposed Debt Management Policy (Policy) is consistent with the Agency's Debt Management Policy and sets forth comprehensive guidelines for the use of debt financing, types of debt instruments and prepayment or refunding of outstanding debt. The proposed Policy complies with State Government Code 8855.

Staff recommends the Board approve the proposed Debt Management Policy as an essential tool in ensuring all debt issues are appropriately considered, administered, reported and disclosed by the Authority and the Agency.

IMPACT ON BUDGET

None.

Attachment A: Chino Basin Regional Financing Authority Debt Management Policy, May 2020

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DEBT MANAGEMENT POLICY
May 2020

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Policy Statement

This policy documents the Chino Basin Regional Financing Authority (Authority) goals and guidelines for the debt instruments issued or delivered by the Authority to finance Inland Empire Utilities Agency (Agency) water and sewer infrastructure, projects, and other financing needs. The Authority recognizes the need for the Agency to invest in ongoing capital replacement and rehabilitation of its facilities to ensure future viability of its services.

The Authority will issue debt to meet financing needs of the Agency (i) if it meets the goals of equitable treatment of all Agency customers, both current and future; (ii) if it is the most cost-effective means available; (iii) if it is fiscally prudent, responsible, and diligent under the prevailing economic conditions; and (v) if there are other important policy reasons therefor. The Authority will not issue debt without the approval of the Chino Basin Regional Financing Authority Board of Commissioners (Board).

To achieve the highest practical credit ratings and endorse prudent financial management, the Agency is committed to systematic capital planning, and long-term financial planning. Evidence of this commitment to long-term capital planning is demonstrated through adoption and periodic adjustment of the Agency's Ten Year Forecast planning document identifying the benefits, costs, and method of funding each capital improvement planned for the succeeding ten years. Capital projects included in the Ten Year Forecast are typically first identified in the Agency's long-term planning documents including the Wastewater Facilities Master Plan, Asset Management Plan, Recycled Water Program Strategy, and Integrated Water Resources Plan.

Purpose of Policy

The purpose of this debt management policy is to:

- Establish parameters for issuing debt
- Provide guidance to decision makers:
 - With respect to options available to finance infrastructure, projects, and other financing needs,
 - So that the most prudent, equitable and cost effective method of financing can be chosen
- Promote objectivity in the decision-making process.

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

- The state law which authorizes the issuance of the debt
- The federal and state law which govern the eligibility of the debt for tax-exempt status
- The federal and state law which govern the issuance of taxable debt

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- The federal and state laws which govern disclosure, sale, and trading of the debt both before and subsequent to issuance
- Generally Accepted Accounting Principles (“GAAP”)

Purpose and Use of Debt

The Authority will utilize reasonable debt financing as an acceptable and appropriate approach to support funding long-term improvements for the Agency. Long-term improvements include the acquisition of land, facilities, infrastructure, and supplies of water; and enhancements or expansions to existing water and sewer capacity and facilities. Debt can be issued to fund the planning, pre-design, design, land and/or easement acquisition, construction, and related fixtures, equipment and other costs as permitted by law. The Authority will not issue debt to cover operating needs of its member agencies, unless specifically approved by the Board.

The Authority may issue short term financing to finance certain Agency essential equipment and vehicles. These assets range from service vehicles to laboratory equipment. The underlying asset must have a minimum useful life of one year or more. Short-term financings, including loans, on bill financing and capital lease purchase agreements, are executed to meet such needs.

The Treasurer will periodically evaluate the Authority’s existing debt and execute re-financings or prepayment (refunding) when economically beneficial. A refinancing may include the issuance of bonds to refund existing bonds or the issuance of bonds in order to refund other obligations, such as commercial paper or loans.

All debt issuance or refunding proposals made by the Authority involving a pledge or other extension of the Agency’s credit through the sale of securities, execution of loans or leases, or making of guarantees or otherwise involving directly or indirectly the lending or pledging of the Agency’s credit shall be reviewed by the Executive Manager of Finance and Administration/AGM. The Agency’s Executive Manager of Finance and Administration/AGM shall be responsible for analyzing the debt financing proposal to determine if it is beneficial to the Authority and the Agency and complies with the Agency’s long-term financial planning objectives, including maintaining or improving the current credit ratings assigned to outstanding debt by the major credit rating agencies.

The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized. Debt may only be issued under Board authorization and when the Agency has appropriated sufficient funds to pay the obligation of principal and interest. No debt shall be issued with a maturity date greater than the expected weighted average useful life of the facilities or improvements being financed. In general, the final maturity of bond or other debt shall be limited to 30 years after the date of issuance unless the Treasurer specifically authorizes a longer term that is advantageous to the Authority and the Agency and is in compliance with all Federal and State laws.

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Debt Management

There are no specific provisions within the California Government Code that limit the amount of debt that can be issued by the Authority. The Agency will provide for a periodic review of its financial performance and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting, and rate setting process. Necessary appropriations for annual debt service requirements will be routinely included in the Agency's budget. The Agency will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible interest rates.

The Authority's and the Agency's Debt Management Policy, Reserve Policy, and Investment Policy are integrated into the decision-making framework utilized in the Authority and the Agency's budgeting and capital improvement planning process. As such, the following principles outline the Authority's approach to debt management:

- The Authority will issue debt only in the case where there is an identified source of repayment. Debt will be issued to the extent that the Agency's (i) projected existing revenues are sufficient to pay for the proposed debt service together with existing debt service covered by such existing revenues, or (ii) additional revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.
- The Authority will not issue debt to cover operating needs of the Agency, unless specifically approved by the Board.
- Debt will be structured for the shortest period possible, consistent with a fair allocation of costs to current and future users. Borrowings by the Authority will be of a duration that does not exceed the useful life of the improvement that it finances and, where feasible, should be shorter than the projected economic life. The standard term of long-term borrowing is typically 20-30 years.
- The Authority currently issues debt instruments on a fixed and variable interest rate basis. Fixed rate securities ensure budget certainty through the life of the securities and can be advantageous in a low interest rate environment. When appropriate, the Authority may choose to issue securities that pay a rate of interest that varies according to a predetermined formula or results from a periodic remarketing of the securities.

The proceeds of the bond sales will be invested by the Authority 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 Agency's Investment Policy and the specific bond indentures

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govern objectives and criteria for investment of bond proceeds. The Agency's Executive Manager of Finance and Administration/AGM in coordination with the Authority Treasurer 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 issuance, while complying with arbitrage and tax provisions.

Bond proceeds will be deposited and recorded in separate accounts to ensure funds are not comingled with other forms of Agency or Authority cash. The Authority's trustee will administer the disbursement of bond proceeds pursuant to that certain Indenture of Trust. Requisition for the disbursement of bonds funds will be approved by the Agency's General Manager or the Treasurer.

The Agency's Executive Manager of Finance and Administration/AGM will monitor the Agency's dedicated debt reserve fund balances and periodically review the advisability of prepayment or refunding of related debt. The financial advantages of a refunding must outweigh the cost of reissuing new debt. A potential refunding will be assessed in combination with any new capital projects requiring financing, and the benefits of the refunding will be evaluated in relation to its costs and risks.

Debt can be refunded to achieve one or more of the following objectives:

- Reduce future interest costs; Restructure or reduce future debt service in response to evolving conditions regarding anticipated revenue sources and lower market interest rates; and
- Restructure the legal requirements, termed covenants of the original issue to reflect more closely the changing conditions of the Agency or the type of debt.

Debt Coverage Target

The Authority or the Agency will not engage in debt financing unless the proposed obligation, when combined with all existing debts, will result in acceptable debt ratios. In determining the affordability of proposed revenue bonds, the Agency will perform an analysis comparing projected annual net revenues (after payment of operating and maintenance (O&M expense) to estimated annual debt service and estimated debt coverage ratio (DCR) for its member agencies. DCR is the amount of cash flow available to meet annual interest and principal payment on debt.

The Authority's objective is to maintain a DCR above the legally required minimum that sustains a high-quality credit rating. As appropriate and as needed, the Authority will require from the Agency a rate increase to cover both O&M and debt service costs and create debt service reserve funds to maintain the legally required DCR.

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Debt Instrument Rating

The Agency's Executive Manager of Finance and Administration/AGM, with advice from a financial advisor as appropriate, will assess whether a credit rating should be obtained for an issuance and make a recommendation to the Board. If it is determined that a credit rating is desirable, the probable rating of the proposed debt issuance is assessed before its issuance, and necessary steps are taken in structuring the debt issuance to ensure that the best possible rating is achieved.

Debt Structuring

The Authority will seek to structure debt with aggregate level principal and interest payments over the life of the borrowing. "Backloading" of debt service will be considered only when such structuring is beneficial to the Authority and its member agencies' aggregate overall debt payment schedule.

A call option will be used unless there is a compelling reason not to do so. A call option, or optional redemption provision, gives the Authority the right to prepay or retire debt prior to its stated maturity. This option may permit the Authority to achieve interest savings in the future through refunding of the bonds. Because 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 bonds may be called at a premium or at par, and interest rate volatility. Generally, 30-year tax exempt municipal borrowings are structured with a 10-year call at no premium. From time to time, shorter call options (5-9 years) may be used at little or no premium.

Types of Debt

The Authority may issue debt, including but not limited to revenue bonds, variable rate bonds, Water Infrastructure Finance and Innovation Act (WIFIA) loans, and other debt instruments the member agencies are unable to issue directly. The weighted average useful life of the asset(s) or project shall exceed the payout schedule of any debt the Authority assumes. A definition on each type of debt is provided in Appendix A.

In addition to the aforementioned long-term and short-term financing instruments, the Authority may also consider joint arrangements with other governmental agencies. Communication and coordination will be made with local governments regarding cost sharing in potential joint projects, including leveraging grants and funding sources.

The Authority will only be liable for its share of debt service, as specified in a contract executed in connection with the joint venture debt.

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Credit Enhancement

Credit enhancement may be used to improve or establish a credit rating on an Authority debt obligation. Types of credit enhancement include Letters of Credit, bond insurance or surety policies. The Agency's Executive Manager of Finance and Administration/AGM will recommend to the Board the use of credit enhancement if it reduces the overall cost of the proposed financing or if, in the opinion of the Agency's GM and/or Agency's Executive Manager of Finance and Administration/AGM, the use of such credit enhancement furthers the Authority and the Agency's overall financial objectives.

Debt Service Reserve Fund/Surety Policy

The Agency's Executive Manager of Finance and Administration/AGM, with counsel from the Agency's financial advisor, bond counsel, and underwriter, will determine whether it is prudent and cost-effective to fund a debt service reserve fund. The Authority may issue debt without a funded debt service reserve surety if market pricing will not be negatively impacted. The Agency's debt reserves will be maintained in accordance with its Reserve Policy.

Capitalized Interest

Generally, interest may be capitalized for the construction period of a revenue-producing project, such that debt service expense does not begin until the project is expected to be operational and producing revenues. In addition, for lease back arrangements, such as those used for lease revenue bond transactions, interest may be capitalized for the construction period, until the asset is operational. Only under extraordinary circumstances, interest may be capitalized for a period longer than the construction period. Capitalized interest is sometimes referred to as "funded interest."

Credit Ratings

The Authority will seek to maintain the highest possible credit ratings that can be achieved for debt instruments without compromising the Agency's policy objectives. Ratings are one reflection of the general fiscal soundness of the Authority and the Agency and the capabilities of their management. By maintaining the highest possible credit ratings, the Authority can issue its debt at a lower interest cost. To enhance creditworthiness, the Agency are committed to prudent financial management, systematic capital planning, and long-term financial planning.

The Authority recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. Each proposal for additional debt will be analyzed for its impact upon the Agency's debt rating on outstanding debt.

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Rating Agency Relationships

The Agency shall be responsible for maintaining relationships with the rating agencies: Standard & Poor's, Moody's Investors Service, and Fitch Investors Service, as appropriate. This effort shall include providing periodic updates, both formal and informal, on the Agency's general financial condition and coordinating meetings and presentations in conjunction with a new debt issuance as appropriate. Written disclosure documents to the rating agencies shall be provided by the Agency's Finance and Accounting Department.

The retention of a rating agency relationship will be based on a determination of the potential for more favorable interest costs as compared to the direct and indirect cost of maintaining that relationship.

Bond Ratings

The Agency's Executive Manager of Finance and Administration/AGM in consultation with the Agency's financial advisor, shall be responsible for determining whether a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

Method of Sale

The Authority and the Agency will select the method of sale that best fits the type of bonds being sold, market conditions, and the desire to structure bond maturities to enhance the overall performance of the entire debt portfolio. Three general methods exist for the sale of municipal bonds:

- I. Competitive sale. Bonds will be marketed to a wide audience of investment banking (underwriting) firms. The underwriter is selected based on the best bid for the Agency's securities, (highest price/lowest yield) The Agency will award the sale of the competitively sold bonds on a true interest cost (TIC) basis. Pursuant to this policy, the Agency's GM and/or Treasurer is hereby authorized to sign the bid form on behalf of the Agency fixing the interest rates on bonds sold on a competitive basis.

- II. Negotiated sale. The Agency's Executive Manager of Finance and Administration/AGM selects the underwriter, or team of underwriters, of its securities in advance of the bond sale. The Agency's Executive Manager of Finance and Administration/AGM works with the underwriter to bring the issue to market and negotiates all rates and terms of the sale. In advance of the sale, the GM and/or Agency's Executive Manager of Finance and

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Administration/AGM will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale will be conducted. Pursuant to this policy, the GM and/or Treasurer is hereby authorized to sign the bond purchase agreement on behalf of the Authority fixing the interest rates on bonds sold on a negotiated basis.

- III. Private placement. The Agency may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed. This method of borrowing can include entering into obligations through Federal and State loan programs.

Roles and Responsibility

The primary responsibility for developing debt financing recommendations rests with the GM and/or Agency's Executive Manager of Finance and Administration/AGM. In developing such recommendations, the Treasurer shall consider the need for debt financing and assess progress on the Agency's current capital improvement program or plan (CIP) and any other program/improvement deemed necessary by them. The Board authorizes and approves debt financing and/or debt service related recommendations and proposals.

All proposed debt financings shall be presented to and approved by the Board. New bond issues will be issued through Authority pursuant to a corresponding Installment Purchase Agreement between the Authority and the Agency. The Installment Purchase Agreement, amongst other things, provides for the Agency's pledge of designated revenues, the setting of rates and charges sufficient to meet the debt obligations and the payment of debt obligations.

Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State of California Government Code (CGC) §54300 et seq.

Bond Counsel

The Agency will retain external bond counsel for all debt issues. As part of the responsibility to oversee and coordinate the marketing of all Authority indebtedness, the Executive Manager of Finance and Administration/AGM shall make recommendations for approval by the Agency's Board on the retention of bond counsel.

Bond counsel will prepare the necessary authorizing resolutions, agreements and other documents necessary to execute the financing. All debt issued by the Authority will include a written opinion by bond counsel affirming that the Authority is authorized to issue the debt, stating that the

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Authority has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status.

Financial Advisors

The Agency will select financial advisors who may either be independent financial advisors or firms who engage in municipal bond underwriting or brokerage services. While serving as the Agency's financial advisor, a firm may not also engage in the underwriting of the Authority bond issue for which that firm acts as financial advisor. A firm may also not switch roles (i.e., from financial advisor to underwriter) after a financial transaction has begun. Financial advisors shall be selected through a competitive process after a review of proposals by the Agency's Executive Manager of Finance and Administration/AGM and/or other staff.

During the contract term of any party acting as financial advisor, neither the firm nor any individual employed by that firm will perform financial advisory, investment banking or similar services for any entity other than the Agency and the Authority in transactions involving an Authority financial commitment without the specific direction of the Agency's Executive Manager of Finance and Administration/AGM.

The financial advisor will advise the Agency on refunding opportunities for current outstanding debt, as well as assist in evaluating the merits of competitive, negotiated or private placement of new debt, and determining the most appropriate structure to ensure effective pricing that meets the Agency's near-term and long term cash flow needs. The financial advisor will work with all parties involved in the financing transaction, including the Agency's bond counsel, trustee, underwriters, and credit liquidity providers, to develop and monitor the financing schedule and preparation of the Official Statement. The financial advisor will assist the Agency in developing and distributing bid specifications for desired services as, trustee and paying agents, printing, remarketing and credit liquidity service providers, and assist the Agency in its review process. The Agency also expects that its financial advisor will provide objective advice and analysis, maintain confidentiality of the Agency's financial plans, and be free from any conflict of interest.

Underwriters

For negotiated sales, the Agency will generally select or pre-qualify underwriters through a competitive process. This process may include a request for proposal or qualifications to all firms considered appropriate for the underwriting of a particular issue or type of bonds. The Agency's Executive Manager of Finance and Administration/AGM will determine the appropriate method to evaluate the underwriter submittals and then select or qualify firms on that basis. The Agency's Executive Manager of Finance and Administration/AGM will not be bound by the terms and conditions of any underwriting agreement; oral or written, to which it was not a party.

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Federal Arbitrage and Rebate Compliance

The Authority and the Agency will fully comply with federal arbitrage and rebate regulations. Concurrent with this policy, the Agency's Executive Manager of Finance and Administration/AGM will take all permitted steps to minimize any rebate liability through proactive management in the structuring and oversight of its individual debt issues. All of the Authority's tax-exempt issues, including lease purchase agreements, are subject to arbitrage compliance regulations.

The Agency's Department of Financial Planning shall be responsible for the following:

- I. Monitoring the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued and exercising best efforts to spend bond proceeds in such a manner that the Agency shall meet one of the spend-down exemptions from arbitrage rebate. Tax-exempt bonds will not be issued unless it can be reasonably expected that 85% of the proceeds will be expended within the three-year temporary period.
- II. Monitoring the investment of bond proceeds with awareness of rules pertaining to yield restrictions. Maintaining detailed investment records, including purchase prices, sale prices and comparable market prices for all securities.
- III. Contracting the services of outside arbitrage consultants to establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of federal tax code.

To the extent any arbitrage rebate liability exists, the Agency will report such liability in its annual Comprehensive Annual Financial Report (CAFR).

Continuing Disclosure

The Authority and the Agency meet secondary disclosure requirements in a timely and comprehensive manner, as stipulated by the Securities Exchange Commission (SEC) Rule 15c2-12 and consistent with the Authority's Disclosure Procedures Policy. The Agency's GM or Executive Manager of Finance and Administration/AGM shall be responsible for providing ongoing disclosure information to the Municipal Securities Rulemaking Board's (MSRB's) Electronic Municipal Market Access (EMMA) system, the central depository designated by the SEC for ongoing disclosures by municipal issuers. The Authority will provide financial information and operating data no later than 270 days following the end of the Authority's fiscal year each year, and will provide notice of certain enumerated events with respect to the bonds, if material, as defined in the Authority's bond covenants.

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DEBT MANAGEMENT POLICY
May 2020

The Authority may also have disclosure requirements related to its loan and private placement obligations. The Agency's GM or Treasurer shall be responsible for providing the required ongoing disclosure information as required within the applicable loan agreements.

The Authority will keep current with any changes in both the administrative aspects of its filing requirements and the national repositories responsible for ensuring issuer compliance with the continuing disclosure regulations. In the event a 'material event' occurs requiring immediate disclosure, the Authority will ensure information flows to the appropriate disclosure notification parties.

Compliance with Bond Covenants

In addition to financial disclosure and arbitrage compliance, once the bonds are issued, the Agency is responsible for verifying compliance with all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriation of revenues to meet debt service payments
- Timely transfer of debt service payments to the trustee or paying agent
- Compliance with insurance requirements
- Compliance with rate covenants where applicable
- Compliance with all other bond covenants

On an annual basis, the Agency's Finance and Accounting Department will prepare all required debt related schedules and footnotes for inclusion in the Agency's Comprehensive Annual Financial Report (CAFR). The CAFR shall describe in detail all funds and fund balances established as part of any direct debt financing of the Agency.

The CAFR may also contain a report detailing any material or rate covenants contained in any direct offering of the Agency and whether or not such covenants have been satisfied.

Policy Review

On an as needed basis, the Treasurer will be responsible for updating and revising this Policy which shall be reviewed and adopted by the Board.

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SB 1029 Compliance

SB 1029, signed by Governor Brown on September 12, 2016, and enacted as Chapter 307, Statutes of 2016, requires issuers to adopt debt policies addressing each of the five items below:

- A. The purposes for which the debt proceeds may be used.
 - i. Section entitled “Purposes and Use of Debt” addresses the purposes for which debt proceeds may be used.
- B. The types of debt that may be issued.
 - i. Section entitled “Types of Debt” provides information regarding the types of debt that may be issued.
- C. The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.
 - i. Sections entitled “Policy Statement” and “Debt Management” provide information regarding the relationship between the Authority’s debt and the Agency’s Capital Improvement Program and annual Budget.
- D. Policy goals related to the issuer's planning goals and objectives.
 - i. Section entitled “Purpose of Policy” address some of the Authority’s policy goals and how this Debt Policy has implemented them.
- E. The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.
 - i. Section entitled “Debt Management” details process to ensure that proceeds of the proposed debt issuance will be directed to its intended purpose.

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DEBT MANAGEMENT POLICY
May 2020

APPENDIX “A”

Definitions of Types of Debt

Derivatives

The Authority may choose to enter into contracts and financing agreements involving interest rate swaps, floating/fixed rate auction or reset securities, or other forms of debt bearing synthetically determined interest rates as authorized under the applicable statutes. The Authority will consider the use of derivative products on a case-by-case basis and consistent with state statute and financial prudence. Before entering into such contracts or agreements, the Authority will review the risks and benefits of such financing techniques and expected impacts on the Agency’s long-term financial operations and credit ratings, and prepare a report to be presented to the Board of Directors through the Finance and Administration Committee for approval.

Revenue Bonds

Revenue bonds issued by the Authority are long term obligations issued to fund Agency capital projects. The Authority will generally issue revenue bonds on a fixed interest rate basis, wherein at the time of the bond sale all interest rates are known and do not change while those bonds are outstanding. Particular conditions may arise where the Authority would consider the use of variable interest rate bonds. Variable interest rate bonds have interest rates that reset on a periodic basis (e.g. daily, weekly, monthly, etc.). Revenue bonds are payable solely from Authority revenues in accordance with the agreed upon Installment Purchase Agreements between the Authority and the Agency. The Installment Purchase Agreement, amongst other things, provides for the Agency’s pledge of designated revenues, the setting of rates and charges sufficient to meet the debt obligations and the payment of debt obligations.

Variable Rate Debt

Variable rate debt is an alternative to fixed rate debt. It may be appropriate to issue short-term or long-term variable rate debt to diversify the Authority’s debt portfolio, reduce interest costs, provide interim funding for capital projects and improve the match of assets to liabilities. Variable rate debt typically has a lower cost of borrowing than fixed rate financing and shorter effective lives in the range of 7 to 35 days. The Authority may consider variable rate debt in certain instances. The Authority will maintain a conservative level of outstanding variable debt in consideration of general rating agency guidelines and limits outstanding variable rate debt to a maximum of 30% of total outstanding debt, in addition to maintaining adequate safeguards against risk and managing the variable revenue stream. Under no circumstances will the Authority issue variable rate debt solely for the purpose of earning arbitrage.

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Short Term Debt

Pending the issuance of bonds the Board may authorize the issue of short term debt. Short-term borrowing may be utilized for the temporary funding of operational cash flow deficits or anticipated revenues, where anticipated revenues are defined as an assured revenue source with the anticipated amount based on conservative estimates. The Agency's Executive Manager of Finance and Administration/AGM will determine and utilize the least costly method for short-term borrowing. Such debt shall be authorized by resolution of the Board.

These short term notes may be structured as:

- Bond Anticipation Notes (BANs) - BANs are short term obligations that will be repaid by proceeds of a subsequent long-term bond issue. The Agency may choose to issue Bond Anticipation Notes through the Authority as a source of interim construction financing. Before issuing such notes, financing for such notes must be planned for and determined to be feasible by the Agency GM and the Agency's Executive Manager of Finance and Administration/AGM.

Letters of Credit

The Authority shall have the authority to enter into a letter-of-credit agreement when such an agreement is deemed prudent and advantageous. Only those financial institutions with short-term credit ratings of at least VMIG 1/A-1, F1 by Moody's Investor Services, Standard & Poor's and Fitch IBCA, may participate in the Agency's letter of credit agreements.

Water Infrastructure Financing and Innovation Act (WIFIA)


WIFIA is a federal loan program administered by the EPA which provides loan financing for eligible projects. WIFIA loans can be considered as an alternate source of capital project financing in certain situations.

ACTION ITEM
1C

CHINO BASIN REGIONAL FINANCING AUTHORITY

Date: May 20, 2020

To: The Honorable Commissioners

From: Shivaji Deshmukh 
General Manager

Submitted By: Christina Valencia
Treasurer

Subject: Adoption of Resolution No. 2020-5-1, Authorizing the Water Infrastructure Financing and Innovation (WIFIA) Loan for the RP-5 Expansion Project

RECOMMENDATION

It is recommended that the Board of Commissioners:

1. Adopt Resolution No. 2020-5-1, authorizing the incurrence of the Water Infrastructure Financing and Innovation Loan Agreement (WIFIA Loan), entered by the Chino Basin Regional Financing Authority (Authority), as the “Borrower”, the Inland Empire Utilities Agency (Agency), as the “Obligor” with respect to the RP-5 Expansion Project, WIFIA Project No. 18124CA, (the Project), and the United States Environmental Protection Agency (EPA), as the “WIFIA Lender”, to financing a portion of the Project for the maximum allowable Project costs, not-to exceed principal amount of \$225,000,000, excluding interest and associated fees, for a 35 year term effective May 27, 2020 and a final maturity of November 1, 2060;
2. Approve the WIFIA Installment Purchase Agreement (WIFIA IPA) between the Authority and the Agency which obligates the Authority to apply installment payments received by the Authority from the Agency for the purchase price of the WIFIA portion of the Project to the repayment by the Authority of the principal, interest, and associated fees with respect to the WIFIA Loan, and other related substantially final drafts of the financing documents that have been prepared; and
3. Authorize the General Manager or the designee to execute such documents, subject to non-substantive changes, and authorize certain other matters in connection therewith, as required.

BACKGROUND

On July 17, 2019 the Inland Empire Utilities Agency (Agency) Board of Directors approved submittal of a U.S. Department of Environmental Protection Agency (EPA) Water Infrastructure Finance and Innovation Act (WIFIA) loan application for the RP-5 Expansion Project (the Project).

Based on the Agency’s bond counsel, Doug Brown from Stradling Yocca Carlson & Rauth, P.C., review of the WIFIA loan provisions and the requirements for the Agency to incur a federal loan under the Municipal Water Code, staff recommends the applicant be changed from the Agency to the Chino Basin Regional Financing Authority (Authority); similar to the structure of publicly issued bonds on which the Agency’s credit rating is predicated. Under this structure, the Agency, as an “Obligor” with respect to the Project, and the Authority as the “Borrower”, will enter into the WIFIA Loan agreement with EPA.

The Authority’s obligation for repayment of the WIFIA loan will be secured by the WIFIA Installment Purchase Agreement (WIFIA IPA) with the Agency; similar to the Installment Purchase Agreements executed as part of the outstanding bond issues. Pursuant to the WIFIA IPA, the Agency will be irrevocably obligated to make payments from the pledged net revenues as defined in the WIFIA IPA for the acquisition of the WIFIA financed portion of the Project. The Agency will also accept responsibility for all performance obligation of the Authority with respect to the construction and operation of the Project set forth in the WIFIA Loan agreement.

Following the completion of 100 percent project design, total Project costs are estimated to be \$400,436,445. Based on WIFIA program regulations, WIFIA loans are limited to 49 percent of total project costs, resulting in a WIFIA Loan amount of up to \$196,436,445. Summarized on Table 1 is the WIFIA loan amount and the other Project financing sources based on the total Project costs of \$400,436,445.

Table 1: RP-5 Expansion Project Financing Sources

WIFIA – 49%	*CWSRF – 25%	Pay-Go– 26%	Total
\$196,436,445	\$101,530,000	\$102,470,00	\$400, 436,445

**CWSRF: Clean Water State Revolving Fund loan.*

The total Project costs may change after the opening of construction bids and ultimate contract negotiations. If construction bids are higher than anticipated and the total Project costs exceed \$400,436,445, the Agency may have an opportunity to submit a request to EPA to increase the WIFIA Loan amount to the maximum 49 percent allowable amount. While there is no guarantee EPA will be able to increase the loan amount, Resolution No. 2020-5-1, if adopted by the Board, will authorize staff to request EPA increase the WIFIA Loan principal amount to the maximum 49 percent allowable amount up to a not-to-exceed amount of \$225,000,000, excluding interest and associated costs.

Staff recommends approval of the WIFIA Loan Agreement and related financing documents, including the WIFIA IPA and WIFIA Term Sheet, effective May 27, 2020 with a final maturity of November 1, 2060 for a not-to-exceed amount of \$196,436,445. Key terms and conditions are summarized in Table 1:

Table 1: WIFIA Loan Key Terms and Conditions

Principal Loan Amount	\$196,436,445	Up to 49% of eligible Project costs
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Effective Date	May 27, 2020	
Term	35 years	The earlier of (a) November 1, 2060 and (b) the Principal Payment Date immediately preceding the date that is thirty-five (35) years following the Substantial Completion Date.
Substantial Completion Date	January 31, 2026	The stage at which the Project is able to perform the functions for which the Project is designed
Development Default Date	January 31, 2027	Provides an additional 12 months for unanticipated delays
Interest Rate	~1.17%	Fixed rate based on the weighted-average life of the WIFIA Loan as published on the execution date of the WIFIA Loan Agreement, in the United States Treasury Bureau of Public Debt's daily rate table for State and Local Government Series (SLGS) securities calculated by adding one basis point (0.01%) to the rate of securities of a similar maturity.
Payments	~\$7.3 million	Principal annual installments beginning on November 1, 2026. Interest semi-annual installments beginning on November 1, 2026, and due May 1 and November 1 of each year.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None. Cost associated with the WIFIA Loan application processing and approval will be financed by the Agency. Repayment of the WIFIA Loan principal, interest and associated fees will be paid by the Agency pursuant to the WIFIA IPA.

Attachments:

Attachment 1: WIFIA Loan Agreement - <https://bit.ly/2YShPqW>

Attachment 2: WIFIA Term Sheet - <https://bit.ly/3fByS6q>

Attachment 3: WIFIA Installment Purchase Agreement - <https://bit.ly/2WObSbY>

Attachment 4: Resolution No. 2020-5-1

RESOLUTION NO. 2020 -5-1

RESOLUTION OF THE CHINO BASIN REGIONAL FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A WIFIA LOAN AGREEMENT, A WIFIA NOTE, AN INSTALLMENT PURCHASE AGREEMENT, AND CERTAIN DOCUMENTS AND OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the Chino Basin Regional Financing Authority (the “Authority”), a joint exercise of powers authority duly organized and existing under and pursuant to the Constitution and laws of the State of California, has been requested to assist Inland Empire Utilities Agency (the “Agency”) to undertake the acquisition of certain improvements to the Agency’s wastewater system consisting of the expansion of the Regional Plant No. 5 (the “Project”); and

WHEREAS, in order to provide for the financing and/or refinancing for the Project, the Agency has submitted an Application for Financial Assistance to the United States Environmental Protection Agency (“EPA”) for a loan under the authority of the Water Infrastructure Finance and Innovation Act (the “WIFIA Loan”) to be made to the Authority by the EPA, acting by and through the Administrator of the Environmental Protection Agency (the “WIFIA Lender”); and

WHEREAS, the Authority and the WIFIA Lender have negotiated the terms of the proposed WIFIA Loan which are set forth in a term sheet (the “WIFIA Term Sheet”) and a WIFIA loan agreement (the “WIFIA Loan Agreement”), and such documents have been approved by the Agency; and

WHEREAS, the Authority’s obligation to repay the WIFIA Loan will be evidenced by the issuance and delivery by the Authority to the WIFIA Lender of a promissory note (the “WIFIA Note”); and

WHEREAS, the Authority is authorized under the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Bond Law”) and Section 5.02 of the Joint Powers Agreement dated as of May 1, 1993, between the Agency and the Cucamonga Valley Water District, formerly known as the Cucamonga County Water District, to enter into the WIFIA Loan Agreement and execute and deliver the WIFIA Note and to pledge payments received by the Authority from the Agency to secure the WIFIA Loan Agreement and the WIFIA Note; and

WHEREAS, the WIFIA Loan will be payable from revenues of the Authority consisting primarily of payments made to the Authority by the Agency under an installment purchase agreement between the Authority and the Agency (the “Installment Purchase Agreement”); and

WHEREAS, the Commission of the Authority (the “Commission”) wishes to take its action at this time authorizing the execution and delivery of the WIFIA Term Sheet, the WIFIA Note, the Installment Purchase Agreement and the WIFIA Loan Agreement and approving related financing documents and official actions; and

WHEREAS, pursuant to Government Code Section 5852.1, certain information relating to the WIFIA Loan is set forth in Exhibit A attached to this Resolution and such information is hereby disclosed and made public.

NOW, THEREFORE, the Commission of the Chino Basin Regional Financing Authority hereby finds, determines, declares and resolves as follows:

1. The Commission hereby authorizes the incurrence of the WIFIA Loan in accordance with the terms of the WIFIA Term Sheet, the WIFIA Note and the WIFIA Loan Agreement, which documents are authorized to be finalized and executed in accordance with Sections 2 and 3 below; provided, however, that the WIFIA Term Sheet, the WIFIA Note and the WIFIA Loan Agreement shall only be executed if the total principal amount authorized to be drawn thereunder does not exceed \$225,000,000 (excluding capitalized interest, which is authorized up to the amount of \$21,400,000).

2. The Installment Purchase Agreement in substantially the form on file with the Authority is hereby approved. The President, Vice President, Treasurer, or General Manager, or the designee thereof are each hereby individually authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be recommended by the General Counsel or Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”) and approved by the person executing the same, said execution being conclusive evidence of such approval.

3. The WIFIA Term Sheet, the WIFIA Note and the WIFIA Loan Agreement in substantially the form on file with the Authority are hereby approved. The President, Vice President, Treasurer, or General Manager, or the designee thereof are each hereby individually authorized and directed to execute and deliver the WIFIA Term Sheet, the WIFIA Note and the WIFIA Loan Agreement with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval.

4. Pursuant to Section 4.03 of the Joint Exercise of Powers Agreement, dated as of May 1, 1993, creating the Authority, the Commission hereby appoints the General Manager of the Agency to serve as General Manager of the Authority.

5. The Commission acknowledges that the good faith estimates required by Section 5852.1 of the California Government Code are disclosed in Exhibit A hereto and are available to the public at the meeting at which this Resolution is approved.

6. The President, Vice-President, Treasurer, General Manager, or Secretary or the designee thereof and any other proper officer of the Authority, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the WIFIA Loan Agreement, the WIFIA Term Sheet, the WIFIA Note, the Installment Purchase Agreement, and this Resolution.

7. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the WIFIA Loan Agreement unless the context otherwise clearly requires.

8. This Resolution shall take effect immediately.

ADOPTED this 20th day of May, 2020.

President of the Chino Basin Regional
Financing Authority and the
Board of Commissioners thereof

ATTEST:

Secretary of the Chino Basin Regional
Financing Authority and the
Board of Commissioners thereof

(SEAL)

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN BERNARDINO)

I, Kati Parker, Secretary of the Chino Basin Regional Financing Authority, DO HEREBY CERTIFY that the foregoing Resolution being No. 2020-5-1, was adopted at a regular Commission Meeting on May 20, 2020, of said Authority by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Secretary of the Chino Basin Regional
Financing Authority and the
Board of Commissioners thereof

EXHIBIT A

GOOD FAITH ESTIMATES PURSUANT TO GOVERNMENT CODE SECTION 5852.1

The good faith estimates set forth herein are provided with respect to the WIFIA Loan in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Inland Empire Utilities Agency by the Municipal Advisor.

Principal Amount. The Municipal Advisor has informed the Agency that, based on the Agency's financing plan and current market conditions, its good faith estimate of the aggregate amount of the WIFIA Loan to be sold is \$196,436,445.

True Interest Cost of the WIFIA Loan. The Municipal Advisor has informed the Agency that based on the expected interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the true interest cost of the WIFIA Loan, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the WIFIA Loan, is 1.17%.

Finance Charge of the WIFIA Loan. The Municipal Advisor has informed the Agency that, assuming that the WIFIA Loan is executed, their good faith estimate of the finance charge for the WIFIA Loan, which means the sum of all fees and charges paid to third parties (or costs associated with the WIFIA Loan), is \$773,330.

Amount of Proceeds to be Received. The Municipal Advisor has informed the Agency that based on estimated interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the amount of proceeds expected to be received by the Agency for sale of the WIFIA Loan, less the finance charge of the WIFIA Loan, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the WIFIA Loan, is \$196,436,445.

Total Payment Amount. The Municipal Advisor has informed the Agency that based on interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the total payment amount, which means the sum total of all payments the Agency will make to pay debt service on the WIFIA Loan, plus the finance charge for the WIFIA Loan, as described above, not paid with the proceeds of the WIFIA Loan, calculated to the final maturity of the WIFIA Loan, is \$250,070,006.13, which excludes any reserves funded with proceeds of the WIFIA Loan (which may offset such total payment amount).

The foregoing estimates constitute good faith estimates only as of May 1, 2020, and are based on information provided in the draft WIFIA Loan agreement at the time of preparation of such estimates. The actual principal amount of the WIFIA Loan issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the entering into the WIFIA Loan being different than the date assumed for purposes of such estimates, (b) the actual principal amount of

WIFIA Loan sold being different from the Principal Amount, (c) the actual amortization of the WIFIA Loan being different than the amortization assumed for purposes of such estimates, (d) the actual interest rates at the time of sale of the WIFIA Loan being different than those estimated for purposes of such estimates, (e) other market conditions, (f) alterations in the Agency's financing plan, or a combination of such factors. The actual date of execution of the WIFIA Loan and the actual principal amount of the WIFIA Loan sold will be determined by the Agency based on the timing of the need for proceeds of the WIFIA Loan and other factors. Factors such as the final loan repayment schedule, any changes to the interest rate on the WIFIA Loan and timing of the execution of the WIFIA loan may be affected by factors beyond the control of the Agency, or the Municipal Advisor.