



Santa Clara Valley Water District Public Facilities Financing Corporation Meeting

Zoom Meeting

Join Video Conference Zoom Meeting:
<https://valleywater.zoom.us/j/492334882>
Meeting ID: 492 334 882
Join Teleconference Phone Meeting
16699009128,,492334882#

SPECIAL MEETING VIA ZOOM AGENDA

Friday, April 17, 2020
1:30 PM

District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.

SANTA CLARA VALLEY WATER
DISTRICT PUBLIC FACILITIES
FINANCE CORPORATION

Members:

David Vanni, President
Steve M. Mullen, Vice President
Dean Chu
Spencer Horowitz
Carolyn M. Bauer

All public records relating to an item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the Office of the Clerk of the Board at the Santa Clara Valley Water District Headquarters Building, 5700 Almaden Expressway, San Jose, CA 95118, at the same time that the public records are distributed or made available to the legislative body. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to attend PFFC Board of Directors' meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

NOTE: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.

**Santa Clara Valley Water District
Public Facilities Financing Corporation
SPECIAL MEETING VIA ZOOM
AGENDA**

Friday, April 17, 2020

1:30 PM

Zoom Meeting

IMPORTANT NOTICES

This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20 issued on March 17, 2020 that allows attendance by members of the Public Facilities Financing Corporation (PFFC) Board of Directors, District staff, and the public to participate and conduct the meeting by teleconference, videoconference, or both.

The PFFC in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in PFFC meetings to please contact the Clerk of the Board's office at (408) 630-2711, at least three (3) business days before the scheduled PFFC Board meeting to ensure that the District may assist you.

1. CALL TO ORDER:

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1.1. Roll Call.

- 2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA.** *Notice to the public: This item is reserved for persons desiring to address the Committee on any matter not on this agenda. Members of the public who wish to address the Committee on any item not listed on the agenda should complete a Speaker Form and present it to the Committee Clerk. The Committee Chair will call individuals in turn. Speakers comments should be limited to three minutes or as set by the Chair. The law does not permit Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Committee may take action on any item of business appearing on the posted agenda.*

3. ACTION ITEMS:

- 3.1. Resolution Authorizing the Solicitation and Negotiation of and Execution and Delivery of One or More Lines of Credit, Credit Agreement, Fee Letter and Related Documents and Actions. [20-0383](#)

Recommendation: **RECOMMENDATION:**

- A. Adopt the Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Board" of the "Corporation")
AUTHORIZING THE SOLICITATION AND NEGOTIATION OF AND EXECUTION AND DELIVERY OF ONE OR MORE LINES OF CREDIT, CREDIT AGREEMENT, FEE LETTER AND RELATED DOCUMENTS AND ACTIONS;
and
- B. Authorize the President and Vice President of the Board, and the Chief Executive Officer, Chief Financial Officer, or Treasury and Debt Officer of the Santa Clara Valley Water District ("Valley Water" or the "District") (in each case, including any acting, interim, or otherwise appointed officer, as the case may be) or their written designees (each an "Authorized Officer"), and the Secretary and general counsel to the Corporation and such other officers and staff of the District, acting singly, to do any and all things to solicit, negotiate and execute one or more Lines of Credit, Credit Agreement, Fee Letter, and such other agreements, documents and certificates, including to provide for covenants, representations and warranties of the District, as may be necessary to effectuate each Line of Credit, Credit Agreement and Fee Letter, if they determine such execution and delivery is in the best interest of the Corporation and the District.

Attachments: [Attachment 1: Resolution](#)


4. ADJOURN



Santa Clara Valley Water District

File No.: 20-0383

Agenda Date: 4/17/2020
Item No.: 3.1.



	Meeting Date:	April 17, 2020
	Item No.	3.1
	Unclassified Manager:	Darin Taylor

SUBJECT:

Resolution Authorizing the Solicitation and Negotiation of and Execution and Delivery of One or More Lines of Credit, Credit Agreement, Fee Letter and Related Documents and Actions.

RECOMMENDATION:

- A. Adopt the Resolution of the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation (the “Board” of the “Corporation”) AUTHORIZING THE SOLICITATION AND NEGOTIATION OF AND EXECUTION AND DELIVERY OF ONE OR MORE LINES OF CREDIT, CREDIT AGREEMENT, FEE LETTER AND RELATED DOCUMENTS AND ACTIONS; and
- B. Authorize the President and Vice President of the Board, and the Chief Executive Officer, Chief Financial Officer, or Treasury and Debt Officer of the Santa Clara Valley Water District (“Valley Water” or the “District”) (in each case, including any acting, interim, or otherwise appointed officer, as the case may be) or their written designees (each an “Authorized Officer”), and the Secretary and general counsel to the Corporation and such other officers and staff of the District, acting singly, to do any and all things to solicit, negotiate and execute one or more Lines of Credit, Credit Agreement, Fee Letter, and such other agreements, documents and certificates, including to provide for covenants, representations and warranties of the District, as may be necessary to effectuate each Line of Credit, Credit Agreement and Fee Letter, if they determine such execution and delivery is in the best interest of the Corporation and the District.

SUMMARY:

Approval of the recommended actions would authorize Valley Water staff to expand Valley Water's existing Commercial Paper (CP) program (CP Program) by an amount not to exceed \$200 million through the solicitation and negotiation of one or more bank lines of credit. This expansion would increase Valley Water's authorized CP Program borrowing capacity from the existing \$150 million capacity to an expanded capacity of \$350 million. The additional capacity would provide for additional short-term financing of on-going capital projects as well as for back-up operating and capital funds during anticipated and unanticipated times of need. Bank lines of credit also allow Valley Water to diversify its current CP Program exposure to the market and mitigate bank credit risk that comes with the issuance of commercial paper certificates on the open market by allowing direct borrowing with banks via lines of credit.

Commercial Paper Program

The CP Program is authorized to be used for eligible Water Utility and Safe, Clean Water Program capital expenditures. The CP Program currently has a maximum principal issuance capacity of \$150 million and is supported by a \$150 million Letter of Credit (LOC) from MUFG Bank, Ltd. (MUFG). Under the CP Program as it's currently authorized, CP certificates, which have maturities of 270 days and less, are marketed by CP dealers to investors on the open market and are secured by MUFG's LOC should there be a failed remarketing where no investors buy any maturing CP certificates, in which case MUFG advances funds to purchase the CP certificates, although at costs that are more than the investor market typically requires (bank advance costs would have been 8% compared to CP rates incurred in FY 2020 which ranged from 1.00% to 2.38%).

Analysis

Valley Water currently has \$50 million of CP certificates outstanding that mature on May 7, 2020. Staff has been closely monitoring the financial markets and communicating with banking institutions to gauge the continued availability of short-term financing. The recent market for commercial paper has been volatile and investors have turned to cash and Treasury bills to safeguard their liquidity positions, although this flight out of commercial paper has been somewhat tempered by recent actions taken by the Federal Reserve which is actively providing various forms of market liquidity. Should the financial markets return to more typical functioning conditions in May, staff plans on reissuing outstanding CP and issuing additional CP to reimburse eligible capital expenditures incurred for the Water Utility Enterprise in FY 2020. If conditions are atypical, and the outstanding CP cannot be sold in the capital markets in May, Valley Water's existing LOC with MUFG allows for an advance from the bank to reimburse investors for the maturing CP, with such advance repayable by Valley Water to the bank pursuant to the terms and conditions specified in the agreement.

As of March 24, 2020, Valley Water's cash and investment portfolio book value totaled approximately \$630 million, of which approximately \$120 million is in the form of cash equivalent deposits that are readily accessible to fund ongoing operations (e.g. money market account, deposit accounts, and California Local Agency Investment Fund deposits). Given the size of the portfolio, and with no current or anticipated interruptions to customer receipts or other operating revenues, staff does not currently anticipate any near-term issues in terms of meeting ongoing financial obligations during the current difficult economic conditions.

Line(s) of Credit

To increase Valley Water's financing flexibility and expediently meet any future anticipated or unanticipated operating and capital expenditure plans, staff is asking the Board to authorize the President and Vice President of the Board, and Valley Water's Chief Executive Officer, Chief Financial Officer, and Treasury and Debt Officer (or their designees) to solicit, negotiate and execute one or more bank lines of credit (and related documents) in an amount up to \$200 million. With the Board's authorization, Valley Water staff will seek formal requests for proposals from banks and work to secure one or more lines of credit with pricing and terms that serve the Corporation's and Valley Water's best interests. Informal inquiries were previously sent to 20 banks to ascertain the availability of a line of credit. The inquiries were sent to local, regional, national and international banks. The feedback from local banks was that there may be some legal limitations in the size of the loan that may be offered to Valley Water. Nevertheless, given the District Board's direction to invest in local banks, staff will incorporate consideration for local banks in the line of credit solicitation to encourage participation at a lower principal amount that complies with legal limitations governing local banks and credit unions. Although many of the other banks stated that the currently tight credit conditions precluded them from being able to offer a credit facility at this time, some responded positively with the potential to offer Valley Water a credit line that may meet our needs. The banks that responded positively included Bank of America, Bank of the West, JP Morgan, MUFG Bank, UBS, US Bank, and Wells Fargo Bank. Valley Water staff is actively and diligently monitoring the financial markets and is working in concert with Valley Water's municipal advisor (Public Resources Advisory Group), external bond counsel (Stradling Yocca Carlson & Rauth), and District Counsel to ensure that a line of credit is negotiated with pricing and terms that will be as favorable as possible.

Proceeds of draws on bank lines of credit are anticipated to be eligible for use for any District purposes, including, but not limited to, capital and operating expenditures, investment and reinvestment, and the discharge of any obligation or indebtedness of the District.

Corporation Board Approval

Due to the statutory requirements in the District Act regarding short-term borrowing, Valley Water issues short-term obligations in conjunction with the Corporation. The District's Board of Directors will be asked to adopt a resolution providing the same authorization being asked of the Corporation's Board. As with CP certificates that are issued, draws on bank lines of credit will be secured by the Tax and Revenue Anticipation Notes (TRANS) that the District issues annually to the Corporation. The obligation of the District to make payments on the TRANS is a general obligation of the District. Additionally, the District has pledged Net Water Utility System Revenues, on parity with the payment of all other subordinate obligations, to the payment of the portion of the TRANS securing the CP Program.

Financing Schedule

The proposed financing schedule includes:

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- April 17, 2020 - Request for Corporation Board Approval
 - April 28, 2020 - Request for Valley Water Board Approval
 - May 5, 2020 - Distribute Request for Proposals to Banks
 - May 27, 2020 - Bank Proposals Due
 - June 16, 2020 - Negotiate and Finalize Terms with Selected Bank(s)
 - July 30, 2020 - Close on Credit Line(s)

FINANCIAL IMPACT:

The CP Program is an on-going activity of Valley Water and associated costs are budgeted annually as costs of operations. The estimated cost of the CP Program, including interest and other costs associated with the program (e.g. banking, legal and other related fees) in FY 2020-21 is \$5.1 million before the addition of any lines of credit. Initial annual cost indications from banks in March 2020 for a \$100 million line of credit ranged from \$255,000 to \$1.7 million or more, depending on whether Valley Water draws on the line of credit and future interest rates associated with the index that the fee is based on (e.g. London Interbank Offered Rate/LIBOR). Pricing indications were provided during this time of great stress to banks, the economy, and financial markets due to the coronavirus pandemic and are moderately to significantly higher than pricing for lines of credit in the recent past. Any bank line of credit proposals will be negotiated to the best possible pricing and terms available to Valley Water at such time. Separate issuances of long-term debt that are budgeted for FY 2020-21 may be deferred pending Water Utility capital project expenditures and the associated debt service budget savings may offset the cost for the line of credit. Additionally, debt service savings that may be realized for the CP Program (as currently budgeted without any lines of credit) may be available to pay for the line of credit costs. At this time, staff is not proposing any adjustments to the proposed FY 2021 budget for debt service which is pending District Board adoption on May 12, 2020. Staff will carefully monitor and manage the FY 2021 debt service budget and make best efforts to maintain the expenditures within budget. Should an increase in debt service budget be required in FY 2021, staff will present such requests as needed for District Board approval in the second half of FY 2021.

ATTACHMENTS:

Attachment 1: Resolution

**BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT
PUBLIC FACILITIES FINANCING CORPORATION**

RESOLUTION NO. 20-

**AUTHORIZING THE SOLICITATION AND NEGOTIATION OF AND
EXECUTION AND DELIVERY OF ONE OR MORE LINES OF CREDIT,
CREDIT AGREEMENT, FEE LETTER
AND RELATED DOCUMENTS AND ACTIONS**

WHEREAS, the Santa Clara Valley Water District Public Facilities Financing Corporation is a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation") with the authority to assist in the financing of certain costs of the Santa Clara Valley Water District ("Valley Water" or the "District");

WHEREAS, the Corporation desires to obtain one or more lines of credit for the purpose of assisting Valley Water with the financing of certain costs;

WHEREAS, Valley Water will solicit formal proposals from financial institutions to provide lines of credit;

WHEREAS, the Board of Directors of the Corporation (the "Board") desires to authorize certain Corporation officials to expediently solicit, negotiate and obtain one or more lines of credit and execute and deliver credit agreements and other documents in connection therewith, subject to the parameters set forth in this resolution;

WHEREAS, Valley Water has previously undertaken a commercial paper program (the "Commercial Paper Program") and to continue such Commercial Paper Program, Valley Water has from time-to-time issued tax and revenue anticipation notes (the "TRANS"), pursuant to Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5, of the California Government Code on the terms set forth in such TRANS;

WHEREAS, payments made by Valley Water to the Corporation pursuant to the TRANS sufficient to pay amounts due under the Commercial Paper Program, including certain amounts due to liquidity providers, have been assigned by the Corporation to U.S. Bank National Association, as trustee, pursuant to Resolution No. PFFC-16-005, adopted by the Board on November 10, 2016, as amended;

WHEREAS, the Corporation intends to assign to each line of credit provider, a portion of the amounts to be paid by Valley Water to the Corporation under the TRANS to pay amounts due under such lines of credit, provided, however, that the total principal amount utilized under all lines of credit, together with other credit facilities entered into with respect to the Commercial Paper Program, in the aggregate, shall in no event exceed the principal amount of the TRANS outstanding from time-to-time;

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of the Santa Clara Valley Water District Public Facilities Financing Corporation does hereby find, determine, declare, and resolve as follows:

Section 1. Authorization to Obtain Lines of Credit. This Board hereby authorizes each of the President and the Vice President of the Board, and the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), or Treasury and Debt Officer of Valley Water (in each case, including any acting, interim or otherwise appointed officer as the case may be), or their written designees (each an “Authorized Officer”) and the Secretary and general counsel to the Corporation, to do any and all things to solicit and negotiate the terms of one or more lines of credit (each a “Line of Credit” and together, the “Lines of Credit”), credit agreement (each a “Credit Agreement”) and fee letter (each a “Fee Letter”) with one or more financial institutions. Subject to the limitations set forth herein, each of the Authorized Officers is hereby authorized to execute one or more Lines of Credit, Credit Agreement and Fee Letter with one or more financial institution to be selected by an Authorized Officer. Each Line of Credit, Credit Agreement and Fee Letter shall be executed and delivered by an Authorized Officer if such Authorized Officer determines that such execution and delivery is in the best interest of the Corporation and Valley Water. The foregoing authorization to solicit, negotiate and execute and deliver each Line of Credit, Credit Agreement and Fee Letter shall be valid for one year from the date hereof; provided, however the authorization of extensions of such Line of Credit shall be governed by Section 4.

Section 2. Repayment of Lines of Credit. Payment of any amounts due under a Line of Credit and Credit Agreement shall be payable from payments made by Valley Water to the Corporation pursuant to TRANs issued by Valley Water from time-to-time and from Net Water Utility System Revenues (as defined in Resolution No. 16-10, adopted by the Board of Directors of Valley Water on February 23, 2016, as amended (the “Parity Master Resolution”)), on a subordinate basis to Bonds and Contracts (as such terms are defined in the Parity Master Resolution), in accordance with the Parity Master Resolution.

Section 3. Maximum Stated Amount and Fees. The stated amount of all Lines of Credit authorized hereunder, in the aggregate, shall not exceed Two Hundred Million Dollars (\$200,000,000) and in no event shall the total principal amount utilized under all lines of credit, together with other credit facilities entered into with respect to the Commercial Paper Program, in the aggregate, exceed the principal amount of the TRANs outstanding from time-to-time. The fees to be paid for a Line of Credit during the initial term shall not exceed 6.2%; the fees paid during any future extensions shall comply with Section 4.

Section 4. Extensions of Lines of Credit. The Authorized Officers are hereby authorized to enter into and execute and deliver such documents as may be necessary in connection with amendments to a Credit Agreement from time-to-time to facilitate the extension of the related Line of Credit for one or more years without further action by the Board so long as, with respect to each Line of Credit: (i) the fee rates shall not be greater than 1% (100 basis points) higher than the fee rates set forth in the related Fee Letter for the prior term entered into in accordance with Section 1 above or extensions pursuant to Section 4, (ii) the other terms and conditions of any such extension (including any amendment to the Credit Agreement required to implement such extension, except for the stated amount which may be amended to the maximum amount as defined in Section 3) are substantially similar to the terms and conditions of the Credit Agreement originally entered into in accordance with Section 1 above or extensions pursuant to Section 4, and (iii) the Valley Water municipal advisor certifies in writing that the fee rates in such extension are consistent with the market at such time (taking into account, among other considerations, the costs of securing and negotiating a replacement line of credit and credit agreement with a replacement bank with comparable credit ratings, including attorney fees, as well as any trading advantage or disadvantage associated with a replacement bank).

Section 5. Other Actions. The Authorized Officers and such other officers and staff of Valley Water are authorized and directed, acting singly, to do any and all things and to solicit, negotiate, and execute and deliver any and all documents (including, but not limited, a paying agent agreement) and certificates which such officers may deem necessary or advisable in order to obtain the Lines of Credit as set forth in Section 1 above, to effectuate any extension of a Line of Credit as set forth in Section 4 above, and otherwise effectuate the purposes of this Resolution, and such actions in connection therewith previously taken by such officers and staff are hereby ratified and confirmed.

Section 6. Effect. This resolution shall take effect immediately.

ADOPTED, SIGNED AND APPROVED this 28th day of April, 2020.

David Vanni, President of Santa Clara Valley Water
District Public Facilities Financing Corporation

(SEAL)

ATTEST:

Michele L. King, CMC,
Secretary of Santa Clara Valley Water District
Public Facilities Financing Corporation

STATE OF CALIFORNIA)
) ss.
COUNTY OF SANTA CLARA)

I, Michele L. King, CMC, Secretary of the Santa Clara Valley Water District Public Facilities Financing Corporation, do hereby certify that the foregoing resolution was duly adopted by the Board of Directors of said Corporation at a special meeting held on the 17th day of April, 2020, and that it was so adopted by the following vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Secretary of Santa Clara Valley Water District Public
Facilities Financing Corporation

(SEAL)