

# HEBER PUBLIC UTILITY DISTRICT REPORT TO BOARD OF DIRECTORS

**MEETING DATE:** March 20, 2014

**FROM:** Laura Fischer, General Manager

**SUBJECT:** Waive the Requirement in Section 4.10 (i), (ii) of the 2009 Water Improvement Project Certificates of Participation and Authorize Parity Consent.

**ISSUE:** **8.A.** Shall the Heber Public Utility **DISTRICT** Waive the requirement in Section 4.10 (i), (ii) of the 2009 Water Improvement Project Certificates of Participation and authorize parity consent?

**8.B.** Shall the Heber Public Utility District **FINANCING CORPORATION** Waive the requirement in Section 4.10 (i), (ii) of the 2009 Water Improvement Project Certificates of Participation and authorize parity consent?

**GENERAL MANAGER RECOMMENDATION:**

Take separate action:

8.A. As HPUD - Waive the requirement to have an Independent Financial Consultant certify the Net Water Revenues meet the debt coverage ratio, and authorize parity consent.

8.B. As HPUD Financing Corporation – Waive the requirement to have an Independent Financial Consultant certify the Net Water Revenues meet the debt coverage ratio, and authorize parity consent.

**FISCAL IMPACT:**

None.

**BACKGROUND:**

The California Department of Public Health, Division of Drinking Water and Environmental Management, Infrastructure, Administration and Financial Funding Section (CDPH) has requested a letter of consent to issue additional debt under the Heber Public Utility District Water Fund. They are the agency that HPUD applied to for financing of the Water Plant Improvement Project.

HPUD Water Fund has an existing debt for a previous water improvement project, and according to the Terms and Conditions of the Heber Public Utility District Certificates of Participation (2009 Water Improvement Project) the parties of the Agreement, USDA Rural Utility Services, the Heber Public Utility District and the Heber Public Utility District Financing Corporation, must approve the parity debt.

USDA provided their parity consent on March 7<sup>th</sup>. It is now time for HPUD and the HPUD Financing Corporation to take action to provide parity consent. Upon receiving consent from both agencies, the Heber Public Utility District (District) and the Heber Public Utility District Financing Corporation (Corporation), the attached letter will be sent.

This is one of the last steps that must be taken before we can receive grant/loan approval from the CDPH. We have received word that they have approved the project for a total project cost of \$5,692,120. Of that amount they will award us \$3 million in grant, and \$2,692,120 in loan with terms of 30 years at 0% interest.

This is great news for HPUD and excellent terms.

**DISCUSSION:**

The Terms and Conditions of the 2009 USDA Water Bonds, Section 4.10 Limitations on Parity Obligations, (i) and (ii) states:

- (i) an Independent Financial Consultant shall render to and file with the District and the Seller, or its assigns, a written opinion that Net Water Revenues (adjusted as provided below) for any twelve (12) consecutive calendar months of the eighteen (18) calendar months immediately preceding the issuance of the Parity Debt have been equal to at least one hundred twenty percent (120%) of the maximum annual amount of debt service with respect to the Parity Debt to be issued; and
- (ii) an Independent Financial Consultant having a favorable reputations for special skill, knowledge and experience in analyzing the operations of water systems, as applicable, shall render to and file with the District and the Seller or its assigns a written opinion that Net Water Revenues, (adjusted as provided below) in each of the three (3) Fiscal Years succeeding the issuance of the Parity Debt will equal at least one hundred twenty percent (120%) of the maximum annual amount of debt service with respect to the Parity Debt to be issued;

Staff is requesting that the requirement to have an Independent Financial Consultant be waived and that a statement from staff be accepted. See attached letter from HPUD Finance Manager.

**CONCLUSION:**

It is required that HPUD, and HPUD Finance Corporation, provide Parity Consent so that HPUD can qualify for the grant/loan from CDPH. Staff has provided a statement certifying that HPUD Net Water Revenues meet the debt coverage ratio of 120% according to the Terms and Conditions of the 2009 USDA Certificate of Participation.

Staff recommends that HPUD Board take action to waive the requirement in Section 4.10 (i), (ii) of the 2009 Water Improvement Project Certificates of Participation and authorize parity consent. This is agenda item 8.A.

Staff also recommends that after taking action as the HPUD Board, the HPUD Financing Corporation takes the same action. This is agenda item 8.B.

**ALTERNATIVES:**

- 1) Do not waive the requirement in Section 4.10 (i), (ii) of the 2009 Water Improvement Project Certificates of Participation and require an Independent Financial Consultant prepare documents certifying the debt coverage requirement. This action will require expenditure of additional Water Funds that are not included in the FY 2013-14 budget, and will delay financing of the Water Plant Improvement Project.
- 2) Provide alternate direction to staff.

Respectfully Submitted,

Laura Fischer, General Manager

Attachments: Letter to CDPH  
Letter from Finance Manager

Date: March 20, 2014

To: Heber Public Utility District  
Heber Public Utility District Financing Corporation

From: Graciela Lopez, Finance Manager

Re: Consent to Issue Parity Debt

According to the Terms and Conditions of the Heber Public Utility District Certificates of Participation (2009 Water Improvement Project) the parties of the Agreement, USDA Rural Utility Services, the Heber Public Utility District and the Heber Public Utility District Financing Corporation, must approve the parity debt. The Terms and Conditions of the 2009 USDA Water Bonds, Section 4.10 Limitations on Parity Obligations, (i) and (ii) states:

- (i) an Independent Financial Consultant shall render to and file with the District and the Seller, or its assigns, a written opinion that Net Water Revenues (adjusted as provided below) for any twelve (12) consecutive calendar months of the eighteen (18) calendar months immediately preceding the issuance of the Parity Debt have been equal to at least one hundred twenty percent (120%) of the maximum annual amount of debt service with respect to the Parity Debt to be issued; and
- (ii) an Independent Financial Consultant having a favorable reputations for special skill, knowledge and experience in analyzing the operations of water systems, as applicable, shall render to and file with the District and the Seller or its assigns a written opinion that Net Water Revenues, (adjusted as provided below) in each of the three (3) Fiscal Years succeeding the issuance of the Parity Debt will equal at least one hundred twenty percent (120%) of the maximum annual amount of debt service with respect to the Parity Debt to be issued;

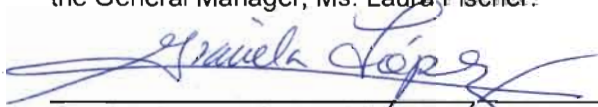
As the HPU D Finance Manager, I have training and knowledge of the finances of the District. It is my opinion that the following statements are true:

1. Net Water Revenues for the twelve consecutive calendar months immediately preceding the issuance of the parity debt have been equal to at least one hundred twenty percent (120%) of the maximum annual amount of debt service with respect to the parity debt to be issued.
2. Net Water Revenues in each of the three Fiscal years succeeding the issuance of the Parity Debt will equal at least one hundred twenty percent (120%) of the maximum annual amount of debt service with respect to the Parity Debt to be issued.
3. Heber Public Utility District is financially capable to undertake the aforementioned loan. Projections were made based on the continuance of adopted rates.

The financial analysis used to develop this opinion was prepared using data that includes the Audited Financial Statements and financial records maintained by my office and overseen by the General Manager.

After reviewing the financial analysis prepared by my office, USDA provided their parity consent on March 7<sup>th</sup>.

Should you have any questions or need additional information, please give me a call or you may contact the General Manager, Ms. Laura Fischer.

  
\_\_\_\_\_  
Graciela Lopez, Finance Manager,  
Heber Public Utility District

March 20, 2014

Anabel Ruiz  
California Department of Public Health  
Financial Fiscal Unit  
1616 Capital Avenue MS 7418  
Sacramento, CA 95814

**Re: Consent to Issue Parity Debt**

Dear Ms. Ruiz;

The California Department of Public Health Division of Drinking Water and Environmental Management, Infrastructure, Administration and Financial Funding Section has requested a letter of consent to issue additional debt under the Heber Public Utility District Water Fund. According to the Terms and Conditions of the Heber Public Utility District Certificates of Participation (2009 Water Improvement Project) the parties of the Agreement, USDA Rural Utility Services, the Heber Public Utility District and the Heber Public Utility District Financing Corporation, must approve the parity debt. USDA provided their parity consent on March 7<sup>th</sup>, and the purpose of this letter is to provide parity consent from the Heber Public Utility District (District) and the Heber Public Utility District Financing Corporation (Corporation).

At the March 20, 2014 meeting, the District and the Corporation took action to waive the requirement in section 4.10 (i), (ii) and authorized the parity debt. District staff prepared a report which supported the opinion that:

1. The new debt from SDWSRF Program will not exceed \$2,692,120.
2. Net Water Revenues for the twelve consecutive calendar months immediately preceding the issuance of the parity debt have been equal to at least one hundred twenty percent (120%) of the maximum annual amount of debt service with respect to the parity debt to be issued.
3. Net Water Revenues in each of the three Fiscal years succeeding the issuance of the Parity Debt will equal at least one hundred twenty percent (120%) of the maximum annual amount of debt service with respect to the Parity Debt to be issued.

Thank you for your continued support and assistance. If you have any questions, please contact the General Manager, Ms. Laura Fischer, at 760-482-2440 or at [lfischer@heber.ca.gov](mailto:lfischer@heber.ca.gov).

Sincerely,

---

Margarita K. Lizarraga, President  
Heber Public Utility District

---

Margarita K. Lizarraga, President  
Heber Public Utility District Financing Corporation

Cc: HPUD Legal Counsel  
Justina Arce, The Holt Group  
Graciela Lopez, HPUD Finance Manager