CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)

STAFF REPORT

INFRASTRUCTURE STATE REVOLVING FUND PROGRAM (ISRF) DIRECT FINANCING EXECUTIVE SUMMARY

Applicant: Las Gallinas Valley Sanitary District (District)		**ISRF Project Type:** Sewage Collection and Treatment
Financing Amount: $12,000,000	**Financing Term:** 25 years	**Interest Rate:** 3.00%[1]
Source of Repayment: Net system revenues and all legally available amounts in the Enterprise Fund (Fund)		**Existing Debt Rating/Date:** S & P AAA, April 1, 2017
Project Name: A Portion of the Secondary Treatment Plant Upgrade & Recycled Water Expansion (Project)		**Project Location:** 300 Smith Ranch Road, San Rafael, CA 94903

Project Description / Sources and Uses of Proceeds:

The Project generally consists of a variety of improvements to the District's Wastewater Treatment Plant secondary treatment and recycled water infrastructure. Project elements include: 1) Expansion of wet weather treatment capacity, 2) Construction of Primary Effluent Pump Station, 3) Construction of two Secondary Clarifiers, 4) Construction of Ultra Violet Disinfection Facility, 5) Improvements to maximize Recycled Water Facility's ability to provide recycled water, 6) Reroute Force Main, 7) Plant Perimeter Road Realignment, 8) Removal of Discharge Basins and installing of Standby Generator, 9) New Utility Transformer and Power Line Realignment, 10) Miscellaneous Process Control Yard Piping, 11) Augment and modify existing Supervisory Control and Data Acquisition (SCADA) System, 12) Modifications to Existing Disinfection System, (13) Appurtenant work at various locations throughout the District's Wastewater Treatment Plant, such as grading, constructing fences, landscaping and paving.

Use of Financing Proceeds:

The Financing would fund all components necessary to complete the Project, including, but not limited to equipping, installation, design, engineering, construction, construction contingency[2], demolition, permitting, entitlement, construction management, project administration, and general project development activities. IBank's loan origination fee will be paid by the District.

Project Uses	Project Sources				
	IBank	2017 Revenue Bonds	US Bureau of Reclamation Grant	Las Gallinas Valley Sanitary District	Total
Secondary Treatment Plant Upgrade & Recycled Water Expansion (Project)	$12,000,000	$38,365,000	$847,150	$11,570,470	$62,782,620
Origination Fee				$120,000	$120,000
Total	**$12,000,000**	**$38,365,000**	**$847,150**	**$11,690,470**	**$62,902,620**

1 Interest Rate quoted July 31, 2018

2 Construction contingency is 8.49% of total project cost, and will come from both IBank and District funds proportionately

The District will contribute $50,055,470 into the project of which $38,365,000 is net bond proceeds from the 2017 Revenue Bonds and $11,690,470 is the District's own equity. Additionally, $847,150 of total project sources is from a WaterSmart Grant from the United States Bureau of Reclamation under its Title XVI program to expand the recycled water treatment facility. The grant has been awarded to the Sonoma County Water Agency and the District is the sub-recipient.

Credit Considerations:

Cash flow and debt service analysis for the Financing is summarized as follows:

CASH FLOW					
For Fiscal Year Ending (FYE) June	**2014**	**2015**	**2016**	**2017**	**2018**
Income from Operations	$2,389,122	$2,968,529	$4,263,296	$4,658,314	$4,594,272
Transaction Specific Adjustments					
+ Depreciation and Amortization	2,431,549	2,413,458	2,429,063	2,526,177	2,600,961
+ Property Taxes	1,117,756	1,086,881	1,124,885	1,238,360	1,290,285
+ Franchise Fees	25,000	25,000	25,000	25,000	25,000
+ Intergovernmental Fees	4,588	4,521	4,442	4,363	4,354
+ Interest Income	46,694	51,103	79,194	150,497	281,297
Total of all Adjustments	3,625,587	3,580,963	3,662,584	3,944,397	4,201,897
Cash Available for Debt Service	**6,014,709**	**6,549,492**	**7,925,880**	**8,602,711**	**8,796,169**
Debt Service Calculation					
Total Existing MADS Debt Service	4,137,273	4,137,273	4,137,273	4,137,273	4,137,273
Proposed IBank MADS (1)	720,197	720,197	720,197	720,197	720,197
Total Obligations MADS	**$4,857,471**	**$4,857,471**	**$4,857,471**	**$4,857,471**	**$4,857,471**
Debt Service Coverage Ratio (2)	**1.24**	**1.35**	**1.63**	**1.77**	**1.81**

(1) Calculated for $12,000,000 at 3.0% for 25 years

(2) Existing Parity Debt Minimum Required DSCR 1.250

Analysis of the historical cash flow over the last five years demonstrates the Fund has the capacity to service the proposed Financing with a debt service coverage ratio (DSCR) of 1.35 or greater in four of the five years reviewed. Refer to the Cash Flow and Debt Service Analysis section of this Staff Report for further details.

Support for Staff Recommendations:

1. Cash flow demonstrates the Fund's ability to service the existing debt and the proposed Financing.
2. The District has successfully increased rates to maintain its debt service ability.
3. The estimated useful life of the Project is at least 25 years, which meets the term of the Financing.

Special Terms and Conditions:

1. Changes to the District's rate structure will comply with the requirements of Proposition 218 (Prop 218), the statutes implementing it, and any case law interpreting it. Further, the District is to notify IBank immediately upon the filing of any legal challenge to its rates or charges.
2. Disbursement to be conditional upon evidence of satisfaction of SWRCB parity debt conditions.

Exceptions:

1. The District seeks an IBank Board waiver of the criteria to complete construction within two years. The Project timeline for the completion of construction is 36 months.
2. The Criteria provides that contractors should be pre-qualified using the Model Questionnaire detailed in the Criteria. The District intends to use its internally-required contractor pre-qualification questionnaire, which substantially meets the intent of the Model Questionnaire. Therefore, the District seeks a waiver of the Criteria.

IBank Staff:	**Date of Staff Report:**
Lina Benedict	January 16, 2019
Date of IBank Board Meeting:	**Resolution Number:**
February 27, 2019	19-05

Staff Recommendation: Staff recommends approval of Resolution No. 19-05 authorizing ISRF Program financing to Las Gallinas Valley Sanitary District for a Portion of the Secondary Treatment Plant Upgrade & Recycled Water Expansion Project in an amount not to exceed $12,000,000.

PROJECT DESCRIPTION

The Las Gallinas Valley Sanitary District (District) requests an Infrastructure State Revolving Fund (ISRF) Program financing (Financing) in the amount of $12,000,000 to fund a portion of the District's Secondary Treatment Plant Upgrade & Recycled Water Expansion (Project)

Broadly, the Project includes the following:

1. **Secondary Wastewater Treatment Plant Upgrade**

The District's wastewater treatment plant (WWTP) is subject to increasing regulatory compliance regulations. These regulations require upgrades to plant and equipment.

2. **Recycled Water Expansion**

The District's recycled water treatment facility has a capacity of 0.7 million gallons per Day (MGD) with redundant systems capacity of up to 1.4 million gallons per day (MGD) and is being expanded to provide for an additional 4 MGD of capacity.

The specific elements of the Project include, but are not limited to:
1) Expansion of wet weather treatment capacity, 2) Construction of Primary Effluent Pump Station, 3) Construction of two Secondary Clarifiers, 4) Construction of Ultra Violet Disinfection Facility, 5) Improvements to maximize Recycled Water Facility's ability to provide recycled water, 6) Reroute Force Main, 7) Plant Perimeter Road Realignment, 8) Removal of Discharge Basins and installing of Standby Generator, 9) New Utility Transformer and Power Line Realignment, 10) Miscellaneous Process Control Yard Piping, 11) Augment and modify existing Supervisory Control and Data Acquisition (SCADA) System, 12) Modifications to Existing Disinfection System, (13) Appurtenant work at various locations throughout the District's Wastewater Treatment Plant, such as grading, constructing fences, landscaping and paving.

BACKGROUND

The Project will upgrade the WWTP to meet more stringent waste discharge requirements from its regulators and allow the District to fully serve its recycled water customers.

The District intended to award the Project construction contract in 2017. In anticipation of a 2017 bid award, the District sold revenue bonds in 2017 (the 2017 Bonds) to finance the Project. The Project required a complex design and so construction bids were higher than expected. Bids were in excess of available funds by $12 million (M). The project was redesigned and rebid in 2018.

The proposed IBank Financing would provide a portion of the funding for the project costs. The District estimates the total Project cost to be $62,902,620. In addition to the $12M IBank Financing, the District would fund the Project with $38,365,000 in proceeds of the 2017 Bonds, $847,150 in WaterSmart Grants and $11,690,470 in District equity. The District has over $21.8M in unrestricted funds at June 30, 2018.
The WaterSmart Grants are part of the Bureau of Reclamation's $30 Million initiative for water reuse and reclamation projects in California.

Project construction is scheduled to begin in mid-2019 and is expected to be completed in 36 months, the Financing request includes an IBank Board waiver of the Criteria to complete construction within two years.

The proposed Project is located at the District WWTP on Smith Ranch Road in the Las Gallinas Valley between the cities of San Rafael and Novato in Northern California (Exhibit # 1).

A primary element of the Project will be to increase the WWTP's secondary treatment capacity to 18 MGD. Currently, the WWTP can treat up to 8 MGD (the primary and tertiary processes can handle more). Normal wastewater flows stay below a 9 MGD threshold. However, during wet weather events, rain water mixes into the sanitary sewer pipelines, causing the flows to exceed 9 MGD.

Wastewater treatment plants typically involve three treatment stages, denoted as primary, secondary, and tertiary.

Because the WWTP flows during storms are greater than the WWTP's secondary treatment process capacity, the WWTP runs as much of the inflows as possible from the primary treatment process on to the secondary and then to the tertiary. Once the secondary treatment process has reached its capacity, the WWTP will route the excess effluent (which has received only primary treatment) to avoid the secondary and tertiary treatment processes and then blend it with the effluent that has actually gone through the secondary and tertiary treatment processes. In other words, wastewater that has received only primary treatment will be blended with wastewater that has gone all of the way through the entire treatment process. The blended effluent will then be discharged to Miller Creek and the Bay.

Discharging blended effluent does not violate the WWTP's current discharge permit. However, the Regional Water Quality Control Board has indicated it may soon require the District to end its practice of blending effluent. The Project will enable the District to do so.

The Project will also reduce the effluent level of total suspended solids (TSS) and turbidity. The WWTP currently uses trickling filters and nitrifying filters as part of its treatment process. The use of these filter types tends to result in high TSS and turbidity levels. However, incorporating an activated sludge treatment process would improve these levels.

The Project will also improve the WWTP hydraulics, allowing for more efficient discharge from the WWTP. The last stage of the WWTP process is to remove chlorine used in the treatment process. Once the chlorine is removed from the fully-treated effluent, it travels from the WWTP to Miller Creek. However, the level of Miller Creek varies based on tides and storm events. Climate change is also expected to affect Miller Creek levels. The WWTP discharge rate slows, impacting the WWTP treatment processes, when Miller Creek experiences a heightened elevation. The Project will raise elements of the WWTP to allow for a more efficient discharge into Miller Creek, even when Miller Creek runs high.

The Project will also expand the production of recycled water. The WWTP currently produces up to 1.4 MGD of recycled water. The Project will increase this capacity to 4.0 MGD. The District's recycled water will be supplied to Marin Municipal Water District and North Marin Water District. The District will also use the recycled water it produces for its own operations.

The Project also includes improvements designed to increase WWTP operational efficiency. As part of the Project various facilities and treatment processes will be moved and reorganized to improve the treatment operations.

PUBLIC AND PROJECT BENEFITS
The Project will benefit the public by improving the quality of treated water discharged from the WWTP and into Miller Creek, and ultimately, the Pacific Ocean. The Project element increasing the WWTP's recycled water will benefit the public by making available alternate water sources and ultimately decreasing dependence on groundwater and imported water.

ECONOMIC BENEFITS
The District anticipates the creation of 48 jobs during the construction period at an average wage of $74.00 per hour. Seven jobs are expected to be retained at an average wage of $55.53 per hour.

GENERAL DISTRICT INFORMATION

The District was established in April 1954 under the Sanitary District Act of 1923. It provides wastewater collection, treatment, curbside recycling, solid waste, yard waste and food scraps hauling, and safe and hazardous waste disposal services and recycling services to more than 30,000 customers.

The District is located approximately two miles northeast of the City of San Rafael and 20 miles north of San Francisco. It covers an area of approximately sixteen square miles in the northern part of the City of San Rafael and surrounding unincorporated areas in Marin County, including the communities of Lucas Valley, Marinwood, Santa Venetia and Terra Linda. The District's boundaries are Hamilton Field (a former air force base) to the north, San Pablo Bay to the east, and central San Rafael to the south.

The District is substantially built out and significant new customers are not expected in the next five years. New users will come from the repurpose of commercial facilities such as vacant office buildings or other commercial properties as multi-residential housing.

As of July 1, 2016, the District was comprised of 97% residential parcels and 3% commercial/industrial parcels, and approximately 60% of the revenue generated was from residential users and 40% from commercial/industrial and other (multi-family unit) users. Commercial users are paying a larger cost as the wastewater is stronger, parcels are larger and they discharge more volume.

The District is governed by an elected five-member Board of Directors (Board). Each Board member is elected to a four year term. A General Manager, appointed by the Board, oversees the District's staff and reports directly to the Board.

The District receives the majority of its revenue from sewer use charges and flat rate special assessments per parcel collected through property taxes by the County of Marin through the annual property tax bills. The County has implemented the Teeter policy, whereby the District receives all of the amounts billed whether or not the County collects the monies from the assessed property owners. This ensures that the District has the funds to operate without being dependent upon the timing of the collection of the remittances from the covered property owners.

The District is not typically subject to general economic conditions such as increases or decreases in property tax values or other types of revenues that may vary with economic conditions such as sales taxes. The District sets its user rates and capacity charges to cover the costs of operation, maintenance, recurring capital replacement, and debt financed capital improvements, always considering increment increases for known or anticipated changes in program costs.

SYSTEM DESCRIPTION

Sewage Collection

The District operates a sanitary server collection system comprised of approximately 105 miles of gravity sewer lines, 6.72 miles of force mains, and 28 pump stations. There are 2,985 manholes and approximately 52.5 miles of privately owned laterals.

It regularly performs smoke testing to detect leaks in sewer mains and laterals. This identifies any cracked pipes or storm water cross connections and identifies infiltration and inflows into the sewage collection system.

Solid Waste (Garbage) services and Recycling

The District manages the refuse hauling service for the unincorporated areas in the District. The franchise has been awarded to Marin Sanitary Service which provides curbside recycling, solid waste, yard waste and food scraps hauling, and safe hazardous waste disposal services that are helping achieve Marin County's goal of zero waste.

Sewage Treatment

The District operates a sewage treatment plant with a permitted dry weather average capacity of 2.92 MGD. It treated an average daily flow of 2.36 MGD of sewage per day in Fiscal Year (FY) 2018. The current secondary clarifiers have a capacity of 8 MGD and the District is increasing that to 18 MGD.
The District's treatment plant uses primary treatment to separate the solids from the wastewater, trickling filters and deep bed filters to provide secondary treatment. The construction of the additional secondary clarifiers would double the capacity and stop the need for discharging blended effluent into Miller Creek and the Bay. The Tertiary process also treats the wastewater with effluent for disinfection and discharge. Treated

effluent is disposed of through discharge pipes into Miller Creek which flows to San Pablo Bay during discharge season, November through May.

Reuse of Treated Wastewater

The District is producing recycled water year round to meet increasing demand during the dry months. It has a water reclamation plant on 385 acres of diked bay lands located to the northeast of the treatment plant. During 2018, 82.3 million gallons were diverted to the District's reclamation project.

The District delivers effluent to MMWD, which further treats it so that it can be used for irrigation, cooling water uses, and car washes within its boundaries. During 2017 the District reached an agreement with MMWD to expand its recycled water treatment plant to provide tertiary treated wastewater which can then be distributed to MMWD's customers.

The District's recycled water treatment facility, has current capacity of 0.7 MGD with redundant systems to produce up to 1.4 MGD. The subject project will provide for an additional 4 MGD of capacity.

The age of the current WWTP is 63 years and with the proposed project upgrades the useful life is estimated to increase by an estimated 30 years. The useful life of the recycled water expansion portion of the project is estimated at 25 years.

System Capital Improvement Plan (CIP)

The District does not plan to issue additional debt after the completion of the project and the subject debt. The subject project was being planned over several years and addresses significant capital improvements.

Over the next five to 10 years the following smaller projects are planned:

- Levee and Miller Creek channel maintenance
- John Duckett Pump Station / Terra Linda Sewer Capacity

These projects will be funded with the District's cash reserves and service charge revenues and rate increases as needed.

NUMBER OF USERS BY CATEGORY

For Fiscal Year Ending (FYE) June	2014	2015	2016	2017	2018
Residential	9,306	9,304	9,302	9,302	9,307
Commercial	332	334	332	339	336
Other	104	105	105	101	103
Total	**9,742**	**9,743**	**9,739**	**9,742**	**9,746**
% change	N/A	0.01%	-0.04%	-0.01%	0.04%

Source: Financing Application Addendum

The table below displays Current System Revenues. Residential users accounted for 59.8% of Total Revenues. The District does not have the historical data to calculate percentage of annual usage since sewage discharge is not metered and each property owner uses different amounts of water.

The District provides a senior citizen discount to qualifying customers with residential accounts and the District also subsidizes some of the residential service charges in other account categories. The "Other" user category is comprised primarily of multi-family units. The District has conferred with its attorneys and consultants and believes its current rate structure complies fully with all laws related to setting utility rates, including Proposition 218.

CURRENT SYSTEM REVENUE		
	Gross Annual Revenue	% Gross Annual Revenue
Residential	$8,156,486	59.8%
Commercial	$2,833,595	20.8%
Other	$2,652,266	19.4%
Total	**$13,642,347**	**100.0%**

Source: Financing Application Addendum

The District reviews rates on an annual basis and has adopted rate increases in each of the fiscal years (FY) 2014 through 2018 as shown in the table below. These rate increases were planned to begin the process of raising revenue to construct capital improvements under the CIP. The following table displays the Historical Rate Increases adopted over the past five years, and reflects the District's ability to increase rates to meet its operational and capital improvement needs.

HISTORICAL RATE INCREASES OF THE PAST FIVE YEARS		
Date Adopted	Date Effective	Percent Increase
6/14/2018	7/1/2018	3.58%
6/8/2017	7/1/2017	3.83%
6/9/2016	7/1/2016	13.76%
6/11/2015	7/1/2015	13.45%
6/5/2014	7/1/2014	0.00%

Source: Financing Application Addendum

The following table displays the Historical and Current Average Monthly User Charge per Residential Unit and the year-over-year percent increases since FY 2014. The table also reflects each year's charge as a percent of the County's Median Household Income (MHI) for residential units as of FY 2017. The table demonstrates the percentages paid by ratepayers are all well below the 2.0% of the MHI affordability threshold established by the California Department of Public Health.

HISTORICAL AND CURRENT AVERAGE MONTHLY USER CHARGE PER RESIDENTIAL UNIT					
For Fiscal Year Ending (FYE) June	2014	2015	2016	2017	2018
Residential	$53.92	$61.17	$69.58	$72.25	$74.83
% change	N/A	13.4%	13.7%	3.8%	3.6%
% of MHI	0.80%	0.90%	1.03%	1.07%	1.10%

Source: Financing Application Addendum

The following table displays the Projected Average Monthly User Charge per Residential Unit in FYs 2019 and 2020. The table reflects a nominal planned increase. The rate increases for FY 2021, 2022 and 2023 are not yet set and are to be determined.

NOTE: The rate increases are not required to meet the subject Project's debt service.

PROJECTED AVERAGE MONTHLY USER CHARGE PER RESIDENTIAL UNIT		
For Fiscal Year Ending (FYE) June	2019	2020
Residential	$74.83	$77.25
% change	N/A	3.23%

Source: Financing Application Addendum

The following table compares the District's Current Average Monthly System User Charge to Nearby Systems as of June 30, 2018. The table indicates the District's rate is lower than the average of nearby Systems. The Sausalito/Marin City water system charges the highest rate.

CURRENT AVERAGE MONTHLY SYSTEM USER CHARGE COMPARED TO NEARBY SYSTEMS			
System Name	Distance in Miles	Location	Average Monthly Residential Rate
Sausalito/Marin City*	15.5	Marin City	$111.67
Belvedere/Tiburon	17.2	Belvedere	$110.31
Tamalpais CSD	15.4	Mill Valley	$89.31
Ross Valley Sanitary District	11.0	Larkspur	$76.44
Las Gallinas Valley Sanitary District	**N/A**		**$74.83**
San Rafael Sanitary District	10.3	San Rafael	$72.01
Richardson Bay Sanitary District	14.9	Tiburon	$54.83
Corte Madera Sanitary District	11.9	Corte Madera	$41.67
	Average Monthly Charge		**$78.88**

Source: Financing Application Addendum

* Reflects costs of customers in the City of Sausalito

The following table displays the Top 10 System Users, each User's Percent of System Revenue as of June 30, 2018. The Table also indicates the user generating the greatest amount of system revenues generates only 3.66% of the total system revenues, which is in compliance with the below 15% underwriting requirement. The table further shows that the district meets another underwriting requirement that revenue derived from the top ten ratepayers does not exceed 50% of total system revenue.

TOP 10 SYSTEM USERS AS OF JUNE 30, 2018			
	User	% System Revenues	Customer Class (Residential/ Commercial/ Industrial/Other)
1	County of Marin	3.66%	Commercial
2	Contempo Marin	2.66%	Multi-Family
3	Marin Valley Mobile Home Park	2.00%	Multi-Family
4	Embassy Suites	1.85%	Commercial
5	Northgate Mall	1.55%	Commercial
6	Bay Apartment Communities	1.46%	Multi-Family
7	Kaiser Permanente	1.00%	Commercial
8	BRE Properties	0.99%	Multi-Family
9	San Rafael Manor	0.93%	Residential
10	Northbay Properties II	0.86%	Multi-Family
	Total	16.96%	

Source: Financing Application Addendum

CREDIT

Source of Financing and Security

The District proposes pledging net System revenues and all legally available amounts in the Fund as security and the source of repayment for the proposed Financing.

Source of Revenue to Repay Proposed ISRF Financing:	Net System revenues and all legally available amounts in the Fund.
Outstanding Obligations:	Bank of Marin has two obligations; Municipal Finance Corporation and the State Water Resources Control Board. Each hold one obligation. The District also issued bonds in 2017. See Debt Section of this staff report for details.
Type of Audited Financial Documents Reviewed:	[X] Comprehensive Annual Financial Reports (CAFR) [ ] Basic Financial Statements (F/S) [ ] Other:
Fiscal Year Ends:	June 30
Audit Fiscal Years Reviewed:	2014-2018
The auditor's reports for all years indicate that the financial statements present fairly, in all material respects, the financial position of the District, and that the results of its operations and the cash flows are in conformity with generally accepted accounting principles.	[X] Yes [ ] No. [If no, explain]
Adopted Budget(s) Reviewed:	[X] Yes [ ] No. [If no, explain]
Budget Year(s) Reviewed:	2018-2019

Comparative Statement of Net Position

The District's Comparative Statement of Net Position for the last five fiscal years is as follows:

LAS GALLINAS VALLEY SANITARY DISTRICT STATEMENT OF NET POSITION										
For Fiscal Year Ending (FYE) June	2014		2015		2016		2017		2018	
Source:	CAFR	%	CAFR	%	CAFR	%	CAFR	%	CAFR	%
ASSETS AND DEFERRED OUTFLOW OF RESOURCES			Restated		Restated					
Current Assets										
Cash and Cash Equivalents:										
Unrestricted	18,948,345	25.2%	19,742,483	25.5%	20,316,117	24.7%	23,093,006	17.8%	25,673,368	19.2%
Restricted - Bond Proceeds							40,014,020	30.8%	40,090,584	30.0%
Receivables:										
Connection Fees	9,300	0.0%	27,548	0.0%			2,131	0.0%	7,387	0.0%
User Charges	74,705	0.1%	71,692	0.1%	84,024	0.1%	82,873	0.1%	83,013	0.1%
Interest	9,058	0.0%	13,135	0.0%	20,758	0.0%	109,966	0.1%	284,775	0.2%
Private Sewer Lateral Assistance Program	26,199	0.0%	9,841	0.0%	19,903	0.0%	5,135	0.0%	1,686	0.0%
Grant Reimbursement			34,900	0.0%	787,367	1.0%	83,276	0.1%	343,784	0.3%
Other	24,041	0.0%	44,618	0.1%	26,926	0.0%	25,417	0.0%	28,900	0.0%
Current Portion of Private Sewer Lateral Assistance Program Receivable			35,739	0.0%	57,074	0.1%	68,189	0.1%	71,574	0.1%
Inventory of Supplies	266,441	0.4%	266,895	0.3%	284,961	0.3%	272,328	0.2%	307,773	0.2%
Prepaid Expenses	50,971	0.1%	153,859	0.2%	60,260	0.1%	60,330	0.0%	91,528	0.1%
Total Current Assets	**$19,409,060**	25.8%	**$20,400,710**	26.3%	**$21,657,390**	26.4%	**$63,816,671**	49.1%	**$66,984,372**	50.0%
Noncurrent Assets										
Capital Assets:										
Property, Plant and Equipment, Net of Accumulated Depreciation	53,788,914	71.6%	55,491,218	71.6%	58,497,940	71.2%	63,558,365	48.9%	63,944,200	47.8%
Other Non-Current Assets:										
Cash-Restricted for Debt Service	858,263	1.1%	860,493	1.1%	867,096	1.1%	873,990	0.7%	880,940	0.7%
Receivables:										
Connection Fees							5,256	0.0%		
Private Sewer Lateral Assistance Program	172,669	0.2%	299,874	0.4%	458,021	0.6%	497,673	0.4%	456,849	0.3%
Total Non Current Assets	**54,819,846**	73.0%	**56,651,585**	73.1%	**59,823,057**	72.8%	**64,935,284**	50.0%	**65,281,989**	48.8%
Subtotal Assets	**74,228,906**	98.8%	**77,052,295**	99.4%	**81,480,447**	99.1%	**128,751,955**	99.1%	**132,266,361**	98.8%
DEFERRED OUTFLOWS OF RESOURCES										
Deferred Amount on Debt Refunding	109,664	0.1%	100,197	0.1%	90,730	0.1%	81,263	0.1%	71,796	0.1%
Pension Plan	800,052	1.1%	385,468	0.5%	611,173	0.7%	1,059,383	0.8%	1,147,743	0.9%
Other Post Employment Benefits Plan									350,729	
Total Deferred Outflow of Resources	**$909,716**	1.2%	**$485,665**	0.6%	**$701,903**	0.9%	**$1,140,646**	0.9%	**$1,570,268**	1.2%
Total Assets and Deferred Outflows of Resources	**$75,138,622**	100.0%	**$77,537,960**	100.0%	**$82,182,350**	100.0%	**$129,892,601**	100.0%	**$133,836,629**	100.0%
LIABILITIES										
Current Liabilities:										
Accounts Payable	702,461	0.9%	883,097	1.1%	532,570	0.6%	1,221,441	0.9%	628,545	0.5%
Net OPEB Obligation	115	0.0%								
Accrued Payroll	55,226	0.1%	60,405	0.1%	78,076	0.1%	102,536	0.1%	106,867	0.1%
Accrued Compensated Absences	65,000	0.1%	67,000	0.1%	67,830	0.1%	73,080	0.1%	121,810	0.1%
Accrued Interest	40,087	0.1%	37,706	0.0%	35,249	0.0%	293,579	0.2%	404,187	0.3%
Current Portion of Long Term Debt	998,120	1.3%	1,030,420	1.3%	1,069,396	1.3%	2,063,482	1.6%	2,093,224	1.6%
Deferred Connection Fees	94,939	0.1%	57,768	0.1%	57,768	0.1%	68,280	0.1%	57,768	0.0%
Total Current Liabilities	**$1,955,948**	2.6%	**$2,136,396**	2.8%	**$1,840,889**	2.2%	**$3,822,398**	2.9%	**$3,412,401**	2.5%
Noncurrent Liabilities										
Accrued Compensated Absences	360,895	0.5%	380,465	0.5%	384,395	0.5%	414,129	0.3%	282,120	0.2%
Notes Payable, Long Term	15,779,452	21.0%	14,749,031	19.0%	13,679,635	16.6%	52,984,645	40.8%	50,770,068	37.9%
Bonds Payable Long Term										
Collective Net Pension Liability	2,778,750	3.7%	1,693,868	2.2%	2,098,373	2.6%	2,722,446	2.1%	3,169,000	2.4%
Net Other Post Employment Benefits Liability									1,716,981	1.3%
Total NonCurrent Liabilities	**18,919,097**	25.2%	**16,823,364**	21.7%	**16,162,403**	19.7%	**56,121,220**	43.2%	**55,938,169**	41.8%
Total Liabilities	**20,875,045**	27.8%	**18,959,760**	24.5%	**18,003,292**	21.9%	**59,943,618**	46.1%	**59,350,570**	44.3%
Deferred Inflows of Resources										
Pension Plan			621,566	0.8%	295,843	0.4%	144,214	0.1%	133,599	0.1%
Other Post Employment Benefits Plan									394,417	0.3%
Total Deferred Inflows of Resources	**$0**	0.0%	**$621,566**	0.8%	**$295,843**	0.4%	**$144,214**	0.1%	**$528,016**	0.4%
Net Position:										
Net Investment in Capital Assets	37,011,342	49.3%	39,711,767	51.2%	43,839,639	53.3%	48,605,521	37.4%	51,243,288	38.3%
Restricted for Debt Service	858,263	1.1%	860,493	1.1%	867,096	1.1%	873,990	0.7%	880,940	0.7%
Unrestricted	16,393,972	21.8%	17,384,374	22.4%	19,176,480	23.3%	20,325,258	15.6%	21,833,815	16.3%
Net Position	**$54,263,577**	72.2%	**$57,956,634**	74.7%	**$63,883,215**	77.7%	**$69,804,769**	53.7%	**$73,958,043**	55.3%
Total Liabilities and Fund Balance	**$74,228,906**	98.8%	**$77,537,960**	100.0%	**$82,182,350**	100.0%	**$129,892,601**	100.0%	**$133,836,629**	100.0%

Current Assets grew 245% to $67 million in the period reviewed due to buildup of cash from operations, 2017 Bond proceeds, Grant funding billings, interest earnings and rate increases. The monies collected were to cover upcoming capital expenditures or other extraordinary costs. In 2017 Current Assets increased by $40M due to the Bond proceeds. These proceeds are restricted for use in funding the Project.

Total Assets increased year over year with an upturn in FYs 2017 and 2018. This is primarily due to the following:
Significant growth of $40 million in the Cash and Investments category due to receipt of the 2017 Revenue Bond proceeds, which are restricted in use for the construction of the Project.
Rate increases in FYs 2015 through 2018 (rate increases are approved through FY 2020)

Capital Assets also grew by 18.8% over the five year period reviewed as planned capital projects were completed.

Total Liabilities were impacted primarily by the following:
2017 Revenue Bond obligation that was issued to fund the Project. This is reflected in the Current Portion of Long Term Debt, and the Note Payable Long Term line items.
The Collective Net Pension Liability, and Net Other Post-Employment Benefits Liability, increased due to changes to GASB 68.

The District's Unrestricted Funds increased 33.1% over the five years reviewed as the District took in more revenues due to the rate increases to cover capital improvements and other extraordinary costs.

Current Liabilities fluctuated as Accounts Payables, Accrued Interest and Current Portion of Long Term Debt reflected the changes related to the 2017 Revenue Bond obligation.

Net Other Post-Employment Benefits Liability of $394,417 is first seen in FY 2018. This is due to changes related to GASB 68.

Total Net Position during the five years reviewed grew by 32.6%, increasing from $54.2 million, in FY 2014 to $73.9 million in FY 2018. This is due to increase in Net Investment in Capital Assets and Unrestricted funds.

In summary, the Total Liabilities and Fund Balance grew by $59.6M or 80.3%.
The District retained an Unrestricted Cash position fund balance in FY 2018 of $25,673,368, providing flexibility in handling unexpected expenses.

The table below shows Accounts receivables summary as of December 18, 2018.

LAS GALLINAS VALLEY SANITARY DISTRICT ACCOUNTS RECEIVABLE AGING AS OF DECEMBER 18, 2018							
	Current	**Over 30**	**Over 40**	**Over 60**	**Over 90**	**Over 120**	**Total**
	$40,051	$16,748	$0		$205,856	$0	$262,655.00
Percent	**15.2%**	**6.4%**	**0.0%**	**0.0%**	**78.4%**	**0.0%**	**100.0%**

Source: Financing Application Addendum

The District states that 93% of the sewer user charges are billed through the Marin County property tax roll. Since the County participates in the Teeter Plan the District receives all of the billed funds whether or not the County collects the fees. The County remits 55% of the collections in December, 40% in April and the balance in June and July.

The table above shows $205,856 of accounts receivables that are over 90 days. This is for two customers who pay their annual sewer service charge twice a year. One is a multi-family property with 315 units and the other is a golf course. Annually in September, the District issues direct bills to customers for whom the property tax value is zero or who do not pay property taxes. These customers are schools, municipal entities such as the County, Police, Fire, parks, and some condominium associations. For FY 2018 this comprised 6.7% of the revenues.

Comparative Statement of Revenues, Expenses, and Changes in Net Position

Summary of the Fund's Comparative Statement of Revenues, Expenses and Changes in Fund Position for the last five years is as follows:

LAS GALLINAS VALLEY SANITARY DISTRICT STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION										
For Fiscal Year Ending (FYE) June	2014		2015		2016		2017		2018	
Source:	CAFR	%	CAFR	%	CAFR	%	CAFR	%	CAFR	%
% Change		N/A	Restated	2%	Restated	11%		11%		4%
Operating Revenue										
Sewer User Charges	$10,157,194	98.8%	$10,311,215	98.6%	$11,647,257	99.2%	$13,059,850	99.3%	$13,634,548	99.3%
Recycled Water Fees	74,703	0.7%	120,037	1.1%	49,814	0.4%	45,548	0.3%	61,081	0.4%
Miscellaneous	45,846	0.4%	21,442	0.2%	46,103	0.4%	42,016	0.3%	41,198	0.3%
Total Operating Revenues	**$10,277,743**	100.0%	**$10,452,694**	100.0%	**$11,743,174**	100.0%	**$13,147,414**	100.0%	**$13,736,827**	100.0%
Operating Expenses										
Sewage Collection and Pump Stations	1,089,209	10.6%	1,155,844	11.1%	945,090	8.0%	1,036,329	7.9%	1,271,296	9.3%
Sewage Treatment	1,519,099	14.8%	1,424,600	13.6%	1,546,504	13.2%	2,065,165	15.7%	1,875,321	13.7%
Sewage and Solid Waste Disposal	340,317	3.3%	126,931	1.2%	82,842	0.7%	216,198	1.6%	128,458	0.9%
Laboratory	402,417	3.9%	352,396	3.4%	295,394	2.5%	337,663	2.6%	338,513	2.5%
Engineering	324,677	3.2%	434,849	4.2%	448,195	3.8%	532,363	4.0%	650,464	4.7%
Recycled Water	90,151	0.9%	108,645	1.0%	97,916	0.8%	56,871	0.4%	69,162	0.5%
General and Adminstrative	1,691,202	16.5%	1,467,442	14.0%	1,634,874	13.9%	1,718,334	13.1%	2,208,380	16.1%
Depreciation and Amortization	2,431,549	23.7%	2,413,458	23.1%	2,429,063	20.7%	2,526,177	19.2%	2,600,961	18.9%
Total Operating Expenses	**$7,888,621**	76.8%	**$7,484,165**	71.6%	**$7,479,878**	63.7%	**$8,489,100**	64.6%	**$9,142,555**	66.6%
Income from Operations	**$2,389,122**	23.2%	**$2,968,529**	28.4%	**$4,263,296**	36.3%	**$4,658,314**	35.4%	**$4,594,272**	33.4%
Nonoperating Revenues:										
Property Taxes	$1,117,756	10.9%	$1,086,881	10.4%	$1,124,885	9.6%	$1,238,360	9.4%	$1,290,285	9.4%
Federal and State Grants	$19,063									
Franchise Fees	$25,000	0.2%	$25,000	0.2%	$25,000	0.2%	$25,000	0.2%	$25,000	0.2%
Intergovernmental Fees	$4,588	0.0%	$4,521	0.0%	$4,442	0.0%	$4,363	0.0%	$4,354	0.0%
Gain on Disposal, Net			$1,117							
Interest Income	$46,694	0.5%	$51,103	0.5%	$79,194	0.7%	$150,497	1.1%	$281,297	2.0%
Total Nonoperating Revenues	**$1,213,101**	**11.8%**	**$1,168,622**	**11.2%**	**$1,233,521**	**10.5%**	**$1,418,220**	**10.8%**	**$1,600,936**	**11.7%**
Nonoperating Expenses:										
Loss on Disposal, Net	$1,575	0.0%					$6,267	0.0%	$1,184	0.0%
Bond Issuance Costs							$349,204	2.7%		
Interest Expense	$624,564	6.1%	$553,432	5.3%	$401,975	3.4%	$275,926	2.1%	$1,288,214	9.4%
Total Nonoperating Expenses	**$626,139**	**6.1%**	**$553,432**	**5.3%**	**$401,975**	**3.4%**	**$631,397**	**4.8%**	**$1,289,398**	**9.4%**
Net Non-operating Revenues (Expenses)	**$586,962**	5.7%	**$615,190**	5.9%	**$831,546**	7.1%	**$786,823**	6.0%	**$311,538**	2.3%
Change in Net Position	**$2,976,084**	29.0%	**$3,583,719**	34.3%	**$5,094,842**	43.4%	**$5,445,137**	41.4%	**$4,905,810**	35.7%
Capital Contributions										
Connection Fees	$43,725		$74,438		$33,879		$39,580		$239,138	
Intergovernmental							$436,837		$455,057	
State Grants			$34,900		$797,860				$362,033	
Total Capital Contributions	**$43,725**		**$109,338**		**$831,739**		**$476,417**		**$1,056,228**	
Increase (decrease) in Net Position	**$3,019,809**		**$3,693,057**		**$5,926,581**		**$5,921,554**		**$5,962,038**	
Net Position - Beginning of Year	**53,222,466**		**54,263,577**		**57,956,634**		**63,883,215**		**69,804,769**	
Prior Period Adjustment- Change in Accounting Principle	**(1,978,698)**								**(1,808,764)**	
Net Position Beginning of Year Restated	**51,243,768**									
Net Position - End of Year	**$54,263,577**		**$57,956,634**		**$63,883,215**		**$69,804,769**		**$73,958,043**	

Operating Revenues increased over the five year period. The effective sewer service residential rate increased from $62 to $77 per month from FY 2015 through FY 2020. Recycled water fee income fluctuated as demand fluctuated.

Total Operating Expenses remained stable in FYs 2014 through 2016. It increased by 13.4% in FY 2017 and by 7.7% in FY 2018, this was due to an increase in personnel and engineering costs. These costs increased as a result of rise in wages and benefit costs, and the actuarially determined pension and retirement benefit expenses. The increase in salaries and benefits expenditure, while influenced by the GASB 68 adjustments, was also due to annual pay increases and an increase in accrued compensation.

Non-Operating Revenues increased due to rise in Property Taxes (some growth in the District Users) and Interest Income which increased due to higher balance sheet cash reserves.

In FY 2018, Connection Fees increased by $199,558 from the previous FY. This is primarily due to the fees associated with the expansion of a commercial facility and other remodeling within the District.

As a result of the changes discussed above, the District's Ending Net Position over the five year period increased by $19,694,466 or 39.6%. The Fund's Ending Net Assets were impacted by two significant issues: the issuance of the 2017 Revenue Bonds and the rate increases.

Pension Plan

The District contributes to the CalPERS, a cost sharing multiple-employer defined benefit pension plan (Plan). The contribution requirements of the plan members are established by State statute and the employer contribution rates are established and may be amended by CalPERS.

The Plan of the District had a Funded Ratio of 75% with an Unfunded Accrued Liability as of June 30, 2017 of $3,017,861.

Existing Obligations Payable from the Fund

The following table lists the Borrower's current outstanding indebtedness:

ENTERPRISE FUND OBLIGATIONS FOR LAS GALLINAS VALLEY SANITARY DISTRICT SUBJECT FUND							
Debt Issued	Bond	Rating (at issuance)	Date Issued	Maturity	Amount Issued	Outstanding Balance	Purpose of Debt
Bank of Marin Loan Installment Loan (BOM)	No		7/27/2012	8/10/2022	$2,000,000	$915,029	To finance construction of a new recycled water treatment facility.
Bank of Marin Loan Installment Loan (BOM)	No		6/10/2011	6/10/2031	$4,600,000	$3,380,752	To finance construction of a new recycled water treatment facility.
Municipal Finance Corporation (MFC)	No		4/1/2014	12/1/2025	$6,948,800	$4,978,000	Refunding of Certificates of Participation original $10,000,000 note entered into on 11/1/2005 with Public Property Financing Corporation of CA that Financed the acquisition and construction of improvements
State Water Resources Control Board Agreement No. 09-863-550; Project No. C-06-7342-110; Amendment No. 1. (Orig. $6,122,500, amendment $4,314,750) SWRCB	No		4/1/2010	6/1/2032	$4,314,750	$3,291,572	Primary Clarification System Improvement Project
Marin Public Financing Authority (Las Gallinas Valley Sanitary District) 2017 Revenue Bonds (MPFA)	Yes	AAA	4/1/2017	4/1/2042	$38,365,000	$37,415,000	The Bonds were issued to provide funds to (i) finance certain capital improvements to the District's wastewater system; (ii) provide a debt service reserve for the Bonds through the purchase of a debt service reserve insurance policy; and (iii) pay the costs of issuing the Bonds.

The 2011 and 2012 Bank of Marin (BOM) Loan documents do not purport to lien Net Revenues or the Fund, but do lien a "Payment Reserve Account" in an amount equal to one year's debt service for each loan. BOM holds a senior lien on these accounts without any provision for parity debt. The current amount in the 2011 BOM Loan Payment Reserve Account is $347,647and the current amount in the 2012 BOM Loan Payment Reserve Account is $241,586. Based on IBank's current understanding, these loans are unsecured.

All of the other Existing Debt documents do create a lien on Net Revenues and the Fund, with the State Water Resources Control Board (SWRCB) Loan being the first to do so. Each subsequent Existing Debt appears to have failed to satisfy the SWRCB Loan parity debt requirements. However, the 2017 Bonds do appear to have satisfied the Municipal Finance Corporation (MFC) Loan parity debt test and so the lien on Net Revenues and the Fund of the MFC Loan and the 2017 Bonds appear to be on parity with one-another, but both junior to the SWRCB Loan. Despite the failures to strictly satisfy parity debt conditions, available documentation indicates that each Existing Debt holder believes it is on a parity position with each other Existing Debt holder, even the unsecured 2011 and 2012 BOM Loans.

IBank will satisfy the parity debt conditions for each Existing Debt (except for the 2011 and 2012 Bank of Marin Loans since they do not purport to lien Net Revenues and so there are no parity debt provisions in those documents). This will result in one of two situations: (1) the failure to comply strictly with the SWRCB Loan parity debt provisions is deemed waived by the SWRCB's prior public statements that each of the MFC Loan and 2017 Bonds are on parity, and the liens of the SWRCB Loan, the MFC Loan, the 2017 Bonds and the Financing are all on parity with one-another, or (2) the failure to comply with the SWRCB Loan parity debt test relegates the MFC Loan and the 2017 Bonds to a junior lien position.

Under both scenarios, IBank will satisfy each of the Existing Debt holder's parity debt tests. The result under the first scenario should be that the Financing, the SWRCB Loan, the MFC Loan, and the 2017 Bonds are collectively, on a parity basis, in second position with respect to Net Revenues in the Payment Reserve Accounts and in first position as to all other Net Revenues and the Fund. Bank of Marin is unsecured.

The result under the second scenario should be: (a) the 2011 and 2012 BOM Loans are senior, respectively, to monies in the Payment Reserve Accounts and are otherwise unsecured; (b) the SWRCB Loan is in second position with respect to Net Revenues in the BOM Payment Reserve Accounts and in first position as to all other Net Revenues and the Fund; and (c) the Financing, the MFC Loan and the 2017 Bonds are in third position with respect to Net Revenues in the Payment Reserve Accounts and in second position as to all other Net Revenues and the Fund. Although IBank will satisfy the SWRCB Loan parity debt conditions, under the second scenario it could not be on parity with the SWRCB Loan since doing so would render the Financing senior to the MFC Loan and the 2017 Bonds, but both documents preclude subsequent senior debt. In other words, IBank's satisfaction of the SWRCB Loan parity debt conditions cannot elevate the Financing to a position superior to the first-in-time MFC Loan and 2017 Bonds.

Either scenario leads to viable financing when taking into consideration the following:

- The Debt Service Coverage Ratios are strong and trending up. (Refer Fund Cash Flow and Debt Service Analysis section below).
- The 2017 Bonds received an S&P 'AAA' underlying rating.
- The default rate on water/sewer bonds is very low risk.
- The BOM debt will be paid off in 3 and 11 years respectively; MFC in 6 years, and SWRCB debt in 13 years.
- The District has the authority to increase rates and has done so prudently and as needed to complete needed capital improvements (to meet debt service)

Fund Cash Flow and Debt Service Analysis

Fund cash flow table and debt service analysis for the Financing is as follows:

CASH FLOW					
For Fiscal Year Ending (FYE) June	**2014**	**2015**	**2016**	**2017**	**2018**
Income from Operations	$2,389,122	$2,968,529	$4,263,296	$4,658,314	$4,594,272
Transaction Specific Adjustments					
+ Depreciation and Amortization	2,431,549	2,413,458	2,429,063	2,526,177	2,600,961
+ Property Taxes	1,117,756	1,086,881	1,124,885	1,238,360	1,290,285
+ Franchise Fees	25,000	25,000	25,000	25,000	25,000
+ Intergovernmental Fees	4,588	4,521	4,442	4,363	4,354
+ Interest Income	46,694	51,103	79,194	150,497	281,297
Total of all Adjustments	3,625,587	3,580,963	3,662,584	3,944,397	4,201,897
Cash Available for Debt Service	**6,014,709**	**6,549,492**	**7,925,880**	**8,602,711**	**8,796,169**
Debt Service Calculation					
Total Existing MADS Debt Service	4,137,273	4,137,273	4,137,273	4,137,273	4,137,273
Proposed IBank MADS (1)	720,197	720,197	720,197	720,197	720,197
Total Obligations MADS	**$4,857,471**	**$4,857,471**	**$4,857,471**	**$4,857,471**	**$4,857,471**
Debt Service Coverage Ratio (2)	**1.24**	**1.35**	**1.63**	**1.77**	**1.81**

(1) Calculated for $12,000,000 at 3.0% for 25 years
(2) Existing Parity Debt Minimum Required DSCR 1.250

Income from Operations reflect increases over the years reviewed, due to the rate increases taking effect in FY 2015 through 2018.

The existing parity debt minimum requirement of 1.25 was not met in 2014, however, it is noted that in 2014 the District did not have its large obligation i.e. the Marin Public Financing Authority 2017 Revenue Bond with maximum annual debt service (MADS) of $2,715,200. Also this was before a series of rate increase went into effect.

Depreciation is a standard add back as this is a non-cash expense.

Property Taxes collected through special assessments, Franchise Fees, Intergovernmental Fees and Interest Income are all recurring sources of income for the District and are therefore added to the cash flow.

Connection Fee income is not included in the cash flow analysis nor in the determination of DSCR as connection fees are considered non-recurring for purpose of this report because they are one time user charges that are not ongoing revenues.

Analysis of historical cash flow over the last five years demonstrates the Fund has the capacity to service the proposed Financing with a debt service coverage ratio (DSCR) of 1.24 or greater in all five years reviewed.

Risk Factors

1. Certain aspects of the District's rate structure are similar to those successfully challenged in a recent California appellate court case as having violated Prop 218 requirements.
2. The District in not prohibited from incurring additional obligations payable from the Fund.

Mitigating Factors

1. The District has implemented prior rate increases to maintain revenues at levels needed for the District to maintain its ability to meet its expenses and service debt.
2. In implementing rates and charges, the District will covenant that its rate structure will conform to the requirements of Prop. 218 and statutes implementing it and case law interpreting it. Further, in its financing agreement, the District will covenant to notify IBank immediately upon the filing of any legal challenge to its rates or charges.
3. The District will be prohibited from issuing future debt senior to the IBank financing, and new parity debt would only be permitted if Net Revenues accumulated within the Fund are at least 1.25 times the MADS.

Compliance with IBank Underwriting Criteria

- Revenues derived from the top ten System ratepayers do not exceed 50% of annual System revenues.
- Revenues derived from any single ratepayer do not exceed 15% of annual System revenues.
- The estimated useful life of the Project is 25 years, which is equal to the Financing term.
- The District has the power to establish and enact rates and charges without the approval of any other governing body.

Criteria Waivers

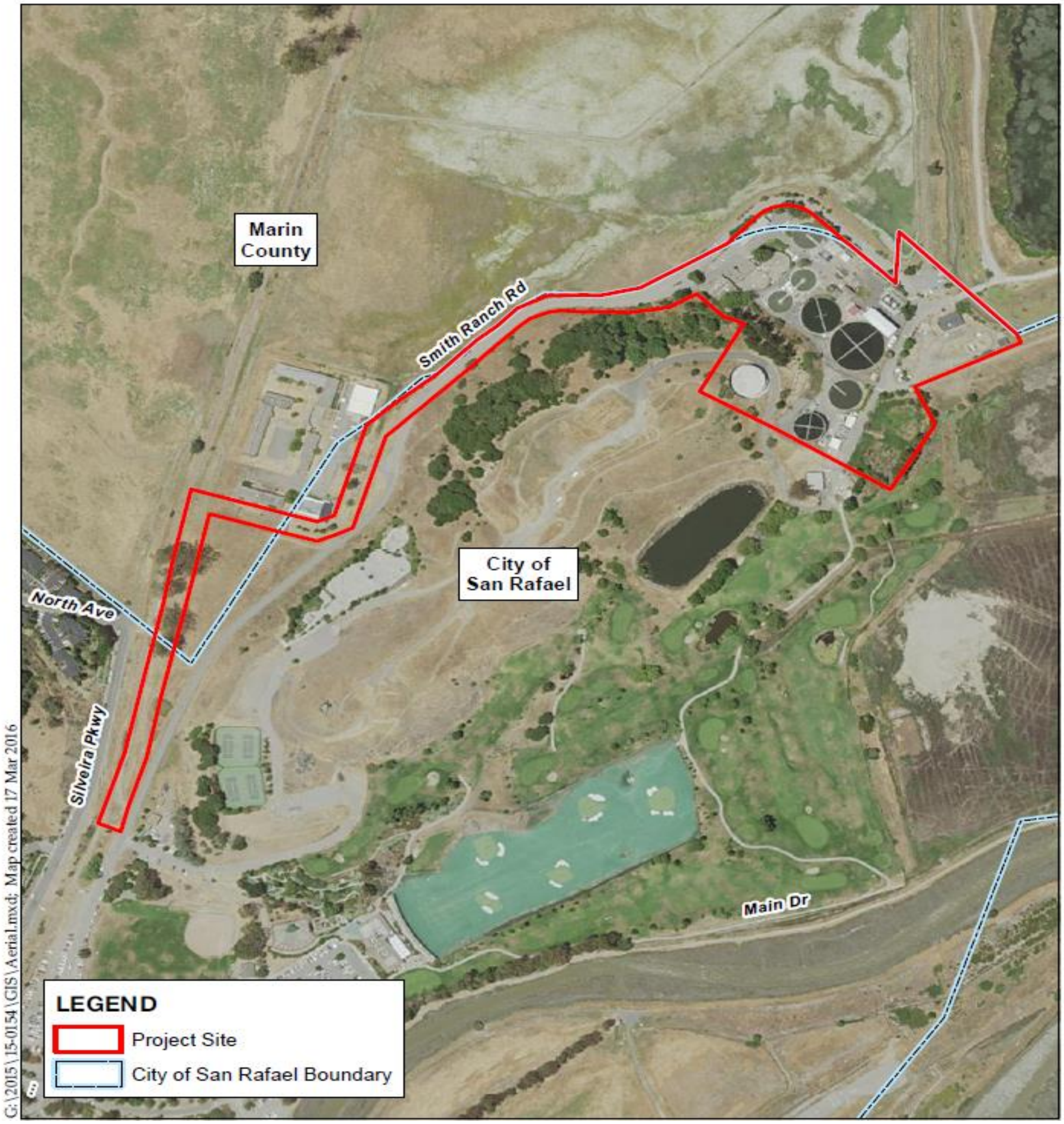
1. The District is seeking IBank waiver of the criteria requirement to complete construction within 24 months. The District's project construction timeline extends to 36 months.
2. The Contractor Criteria: The request is to waive the provision that provides contractors should be pre-qualified using the Model Questionnaire detailed in the Criteria. The District intends to use its internally-required contractor pre-qualification questionnaire, which substantially meets the intent of the Model Questionnaire.

STAFF RECOMMENDATION

Staff recommends approval of Resolution No. 19-05 authorizing ISRF Program financing to Las Gallinas Valley Sanitary District for the Secondary Treatment Plant Upgrade & Recycled Water Expansion Project as follows:

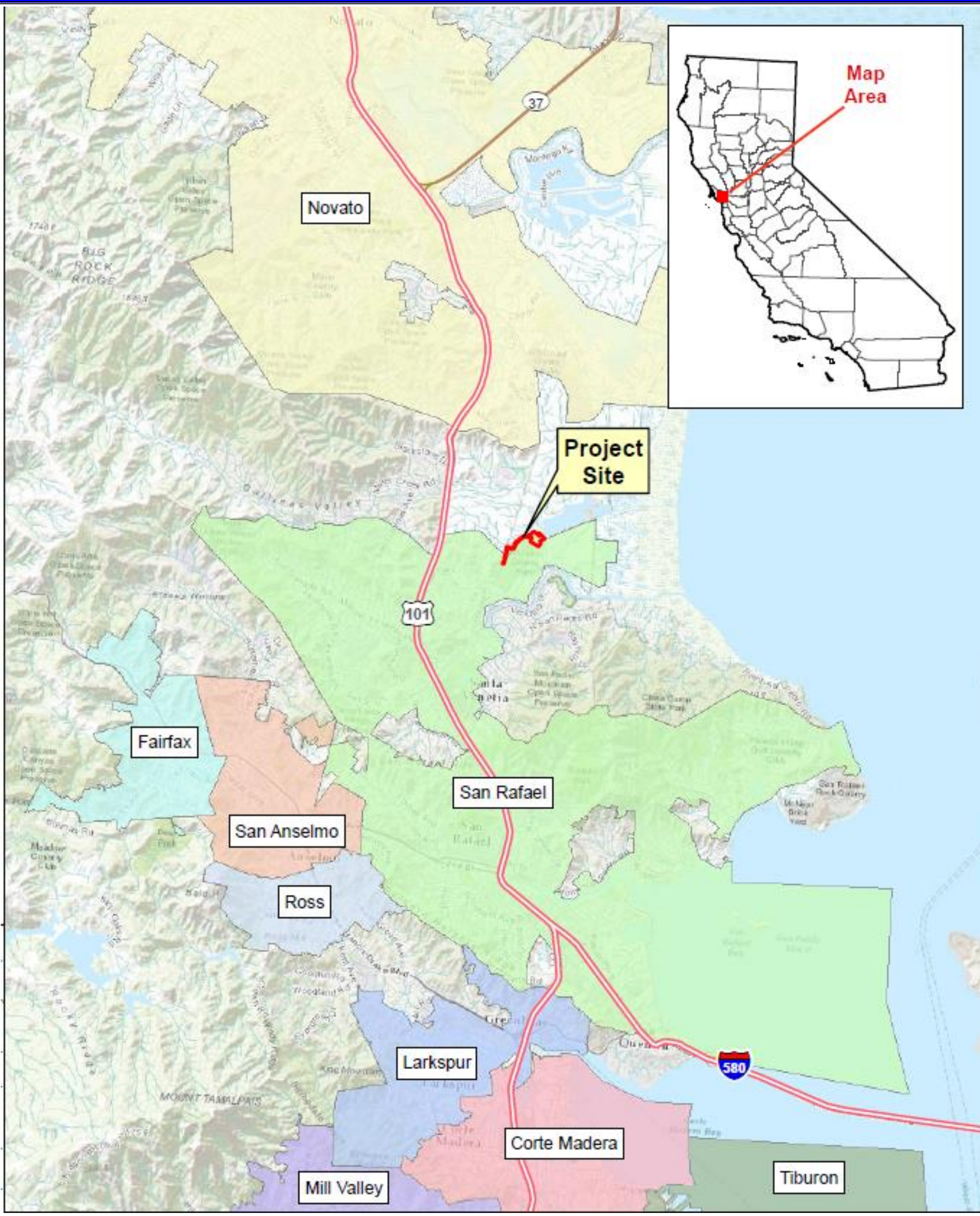
1. **Applicant/Borrower:** Las Gallinas Valley Sanitary District
2. **Project:** Secondary Treatment Plant Upgrade & Recycled Water Expansion Project
3. **Amount of ISRF Program Financing:** $12,000,000
4. **Maturity:** Twenty Five (25) years
5. **Repayment/Security:** ISRF Program financing (Financing) would be secured by a lien on the District's net system revenues (Net Revenues) and all legally available amounts in the District's Enterprise Fund (Fund).
6. **Interest Rate:** 3.00%
7. **Fees:** District to pay an origination fee of 1.00%, $120,000, and an annual fee of 0.30% of the outstanding principal balance.
8. **Not an Unconditional Commitment:** IBank's resolution shall not be construed as unconditional commitment to finance the Project, but rather IBank's approval pursuant to the Resolution is conditioned upon entry by IBank and the District into a Financing Agreement, in form and substance satisfactory to IBank.
9. **Limited Time**: The Board's approval expires on May 27, 2019. Thus, the District and IBank must enter into the Financing agreement no later than May 27, 2019. Once the approval has expired, there can be no assurances that IBank will be able to provide the ISRF Program financing to the District or consider extending the approval period.
10. **ISRF Program Financing Agreement Covenants and Conditions:** The Financing Agreement shall include, among other things, the following covenants:
    a. District will be required to maintain rates and charges in an amount sufficient to ensure that Net Revenues produce a minimum 1.25 times aggregate annual debt service ratio for obligations on parity with the Financing.
    b. The District has no senior liens and the District will be prohibited from issuing future debt senior to the Financing.
    c. Parity debt will be allowed if Net Revenues amount to at least 1.25 times the Maximum Annual Debt Service (MADS) taking into consideration the MADS payable in any Fiscal Year on all existing debt and the proposed parity debt.
    d. Subordinate debt will be allowed if Net Revenues are at least 1.10 times the sum of the MADS on all outstanding debt, payable from the Fund, including the proposed Subordinate Debt.
    e. District will covenant against reducing rates below levels used for all debt service payable from the Fund, and to take actions to increase rates or fund a rate stabilization fund if the debt service coverage ratios fall below required levels.
    f. Upon implementing rates and charges, District to covenant to ensure that its rate structure conforms to the requirements of Proposition 218 and those of the statutes implementing it and the cases interpreting it. Further, District to covenant to notify IBank immediately upon the filing of any legal challenge to its rates or charges.
    g. District to comply with the requirements of the Criteria and all applicable laws, regulations, and permitting requirements associated with public works projects.
    h. District to provide to IBank annually within 180 days of the end of each of District's fiscal year a copy of its audited financial statements together with an annual certificate demonstrating compliance with the foregoing covenants, as well as other information as IBank may request from time to time.
    i. No disbursements will be allowed until the District provides evidence reasonably satisfactory to IBank that all parity debt conditions precedent set forth in the State Water Resources Control Board financing agreement have been satisfied.

PROJECT SITE (Exhibit 1)

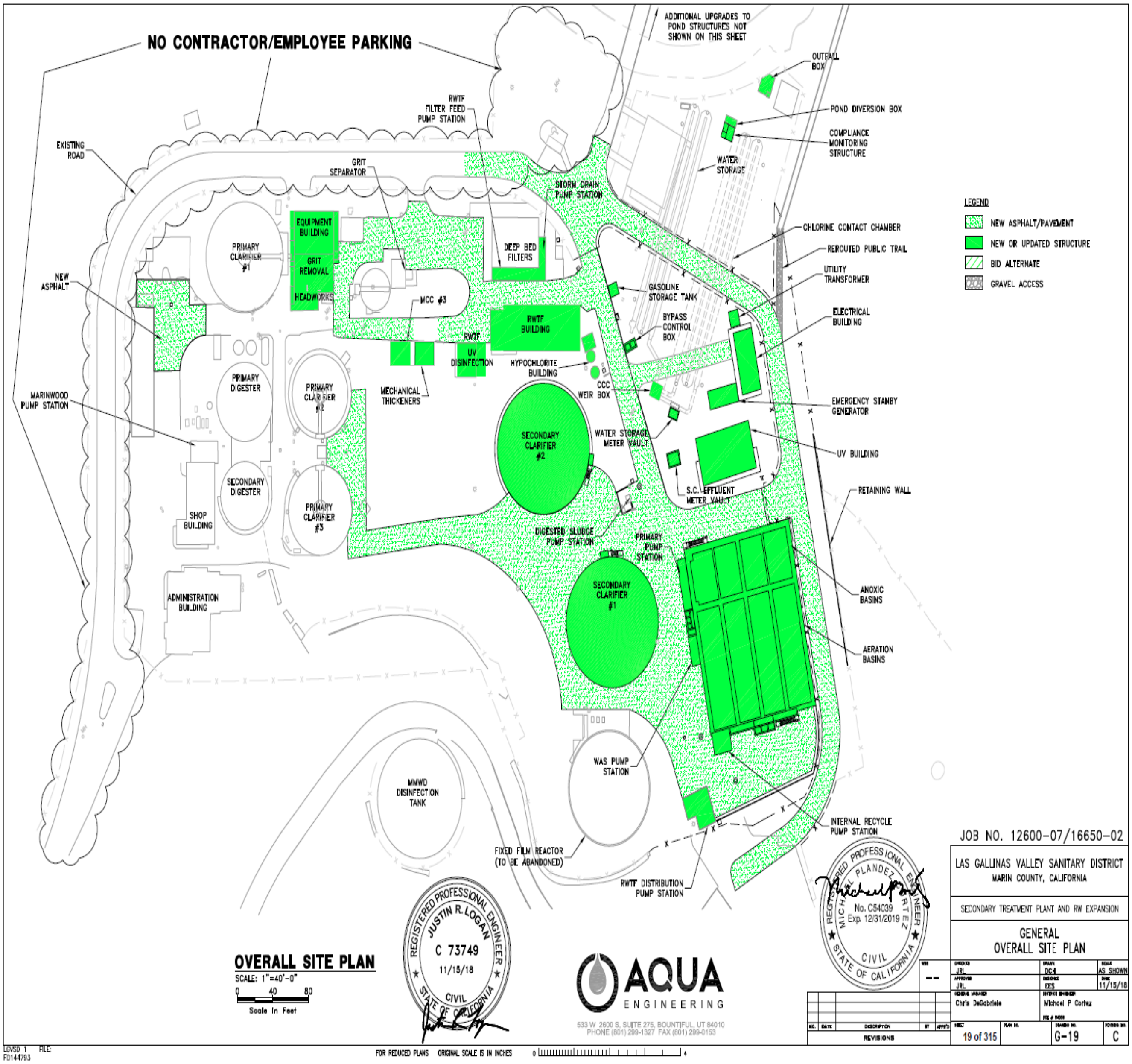


Source: Marin County. GIS, 2015; USDA NAIP imagery, 2014

PROJECT SITE VICINITY MAP (Exhibit 2)

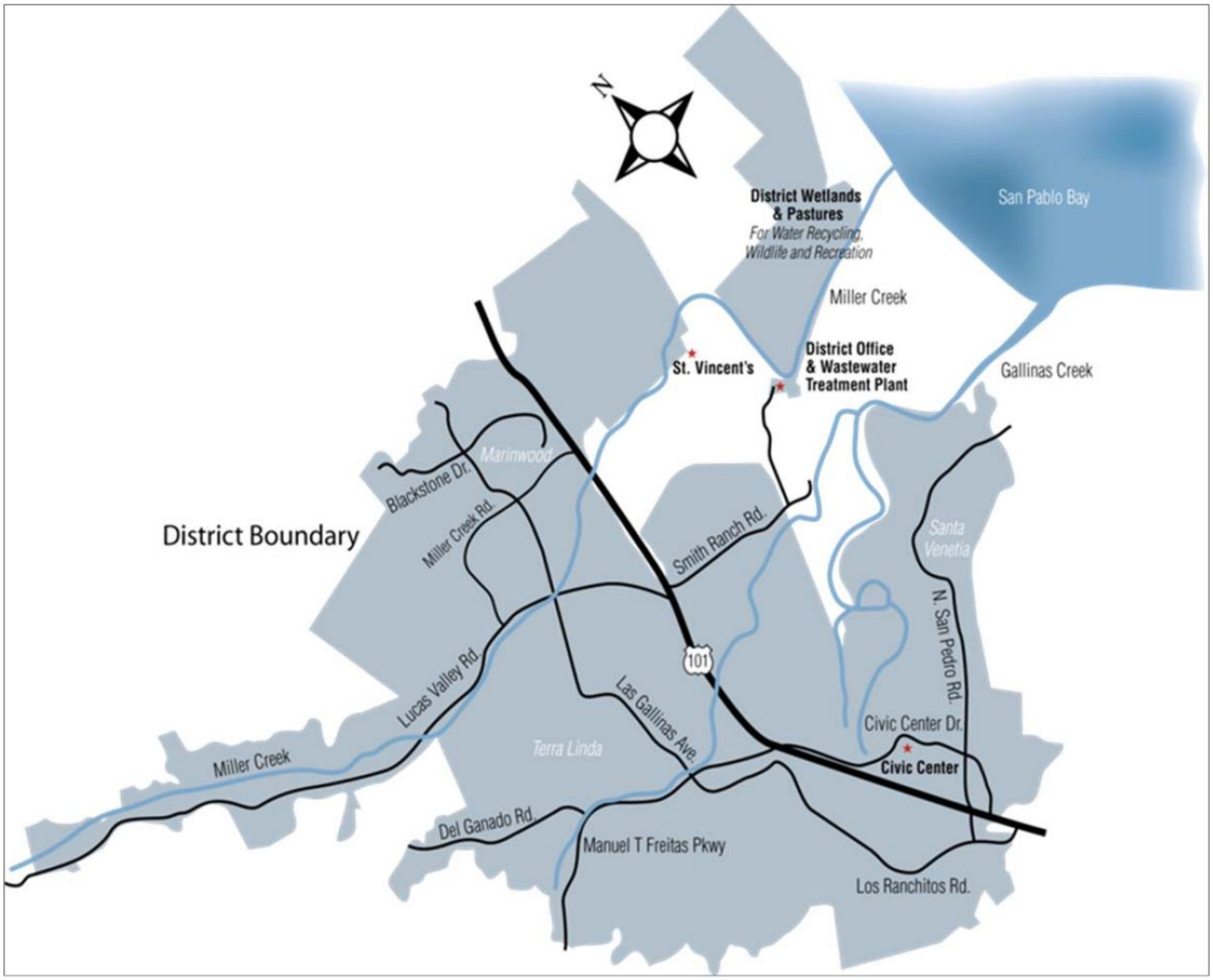


Source: Final Initial Study of Project by Albert A. Webb Associates



Source: District

MAP OF DISTRICT SERVICE AREA



Source: 2018 Comprehensive Annual Financial Report