

# Summary of Financing Results



*Meeting of the City Council  
February 8, 2022*

Presented by:



# Issuance Process

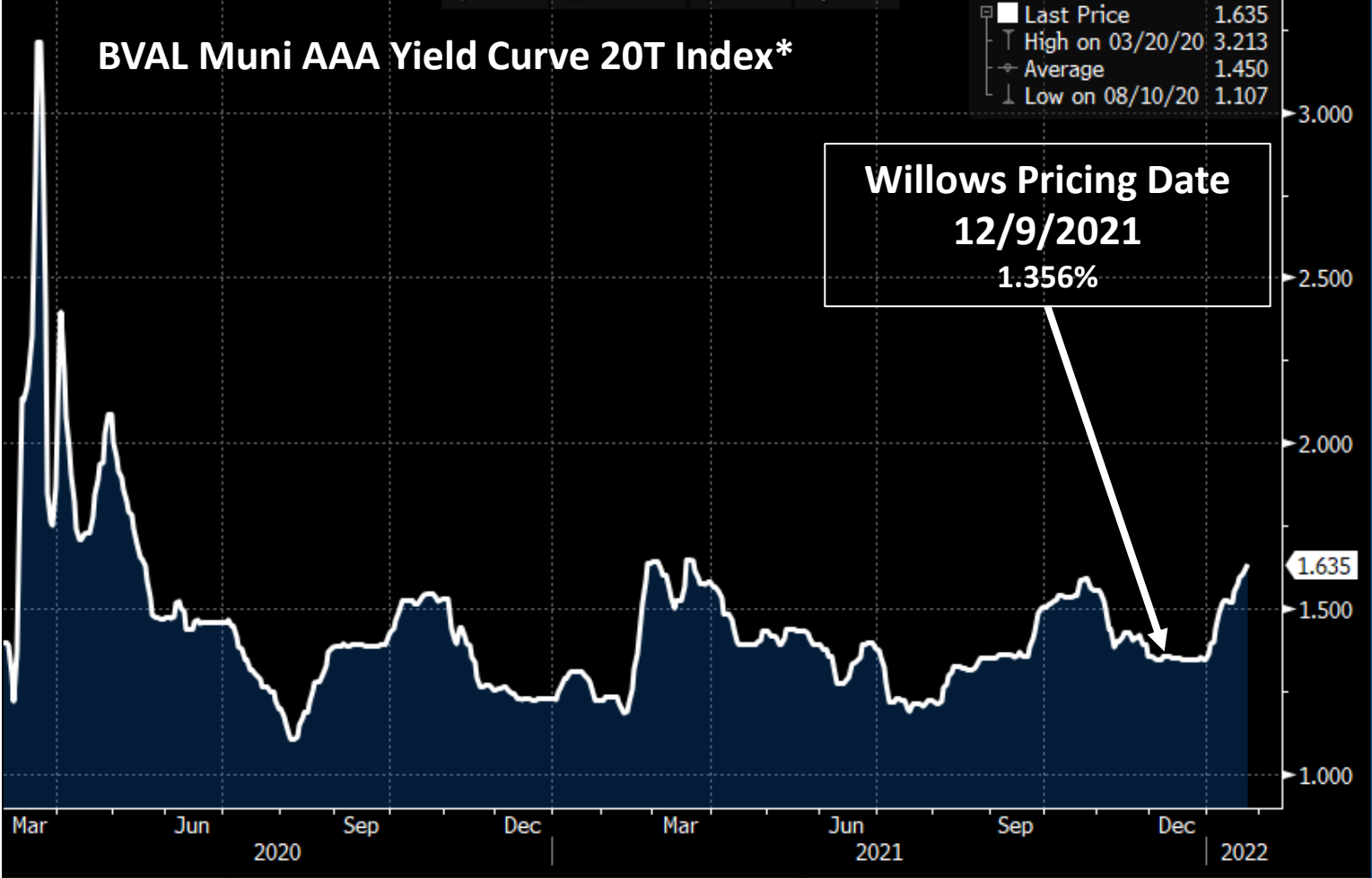
- In December 2021, the City of Willows issued bonds to finance a \$3.35 million sewer capital improvement project and to refinance its 2007 Certificates of Participation (achieving more than \$1 million in debt service savings for the Sewer Enterprise Fund and its ratepayers).
- Past financial performance and financial covenant non-compliance within the Sewer Enterprise Fund created challenges in the issuance process:
  - Consecutive years of non-compliance with debt service coverage covenant (2007 COP in technical default) due to continuous inadequate revenue growth in the Sewer Fund
  - Historic lack of completed sewer rate studies and rate increases to meet rising costs
  - Lack of reserves and liquidity in the Sewer Fund
  - Deferred maintenance within Sewer System
  - Lack of structuring flexibility due to cash flow considerations
  - High turnover in City leadership
  - Lack of interest from traditional lenders to the City (Commercial Banks)
  - Penalization for past performance from Credit Rating Agency

# Issuance Process cont.

- Although the City and the Financing Team faced obstacles in completing the transaction, it was ultimately completed at an opportune time in the market cycle and at a very attractive all-in fixed interest rate (All-in True Interest Cost) of 2.66% for the 25-year financing.
- This result would not have been possible without the dedication of City personnel throughout the process, but particularly in properly completing the 218 process and working diligently with the assistance and guidance of the Financing Team with the Bond Insurance providers to enable the City's BBB- rated bonds (lowest investment grade rating) to sell equivalently to AA rated bonds. This resulted in a lower debt service by an estimated \$600,000 over the life of the bonds at a cost of \$65,744\*.

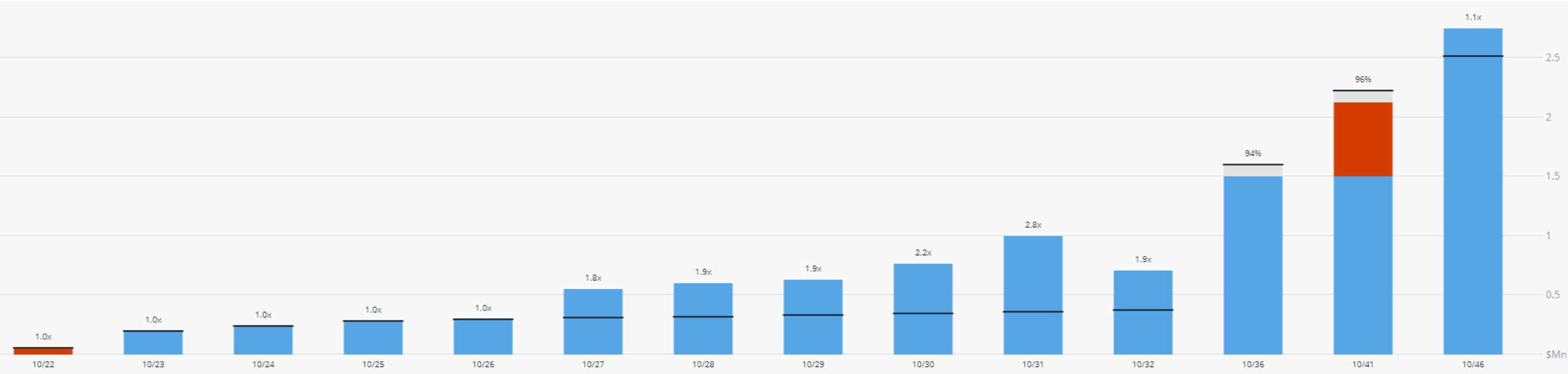
*\*per the Underwriter, Hilltop Securities*

# Interest Rate Market



\*Bloomberg equivalent to Thomson Reuters Municipal Market Data (MMD) AAA Index

# Order Period



Source: Hilltop Securities via iPreo GameDay software

Size of Financing: \$ 9,465,000  
 Total Orders: \$ 11,715,000 (1.2x Oversubscription)  
 Unsold balance at end of order period: \$ 640,000 (Purchased by Hilltop Securities)

Total Number of Accounts: 7  
 Total Number of Orders: 28

Top Accounts	Order Size
Commerce Bank	\$ 3,030,000
DCM Advisors	\$ 2,750,000
HRBF	\$ 2,000,000
Belle Haven Investments	\$ 1,820,000
Singer Family Trust	\$ 1,000,000



# Comparable Sales

9,465M  
 City of Willows (Glenn County, CA)  
 COPs (2021 Sewer System Financing Project)

AA | BBB- BAM ERP 12/9/2021 Hilltop

Maturity	Par (\$M)	Coupon	Yield	YTM	Final Proposed Spread	Pre-Price Spreads	Notes
10/1/2022	60	4.000	0.440		+30	+30	
10/1/2023	200	4.000	0.550		+32	+32	
10/1/2024	245	4.000	0.690		+35	+35	
10/1/2025	285	4.000	0.830		+38	+38	
10/1/2026	295	4.000	0.980		+40	+40	
10/1/2027	310	4.000	1.170		+45	+45	
10/1/2028	320	4.000	1.350		+50	+50	
10/1/2029	335	4.000	1.480		+55	+55	
10/1/2030	345	4.000	1.560		+58	+58	
10/1/2031	360	4.000	1.620		+60	+60	
10/1/2032	375	4.000	1.710	1.885	+65	+65	
10/1/2036	1,600	2.250	2.400		+126	+126	\$98.141
10/1/2041	2,225	2.375	2.550		+126	+126	\$97.293
10/1/2046	2,515	2.500	2.680		+125	+125	\$96.754

2031 Par Call

13,205M  
 Woodland Finance Authority  
 Water Revenue

AA | A+ | - AGM ERP 12/1/2021 Hilltop

Maturity	Par (\$M)	Coupon	Yield	YTM	Interp MMD (bp)	Notes
03/01/2022	365	4.000	0.280		+16	
03/01/2023	475	4.000	0.420		+22	
03/01/2024	495	4.000	0.500		+20	
03/01/2025	515	4.000	0.500		+13	AGM
03/01/2026	530	4.000	0.640		+14	AGM
03/01/2027	555	4.000	0.740		+12	AGM
03/01/2028	575	4.000	0.920		+13	AGM
03/01/2029	595	4.000	1.040		+16	AGM
03/01/2030	620	4.000	1.160		+20	AGM
03/01/2031	645	4.000	1.230		+23	AGM
03/01/2032	675	4.000	1.340	1.557	+30	AGM
03/01/2033	705	4.000	1.410	1.795	+35	AGM
03/01/2034	730	4.000	1.480	1.996	+40	AGM
03/01/2035	760	2.000	2.150		+103	AGM
03/01/2036	770	4.000	1.640	2.330	+50	AGM
03/01/2037	805	2.125	2.290		+112	AGM
03/01/2041	3,390	2.250	2.410		+112	AGM

2031 Par Call

32.210M  
 CSCDA CMNTY IMPT Auth  
 Housing Revenue Bonds - Social

NR | NR | NR - ERP 11/29/2021 Stifel

Maturity	Par (\$M)	Coupon	Yield	YTM	Interp MMD (bp)	Notes
07/01/2043	32,210	3.000	3.400		+203	\$93.920

2032 Par Call



Source: Hilltop Securities and Bloomberg New Issue Calendar

# Net Certificate Debt Service

City of Willows Certificates of Participation (2021 Sewer System Financing Project)							
Net Certificate Debt Service and Savings							
Fiscal Year Ending	Principal	Coupon	Yield	Interest	Capitalized Interest & Debt Service Reserve Fund	Net Debt Service	Savings from Refunding
2022				76,098	(76,098)	-	112,448
2023	60,000	4.000%	0.44%	275,519		335,519	119,948
2024	200,000	4.000%	0.55%	270,319		470,319	24,512
2025	240,000	4.000%	0.69%	261,519		501,519	20,873
2026	285,000	4.000%	0.83%	251,019		536,019	22,875
2027	295,000	4.000%	0.98%	239,419		534,419	24,829
2028	310,000	4.000%	1.17%	227,319		537,319	22,356
2029	320,000	4.000%	1.35%	214,719		534,719	19,974
2030	335,000	4.000%	1.48%	201,619		536,619	22,144
2031	345,000	4.000%	1.56%	188,019		533,019	20,346
2032	360,000	4.000%	1.62%	173,919		533,919	20,081
2033	375,000	4.000%	1.71%	159,219		534,219	22,923
2034	385,000	2.250%	2.40%	147,388		532,388	25,041
2035	395,000	2.250%	2.40%	138,613		533,613	20,964
2036	405,000	2.250%	2.40%	129,613		534,613	21,055
2037	415,000	2.250%	2.40%	120,388		535,388	21,210
2038	425,000	2.375%	2.55%	110,672		535,672	22,597
2039	435,000	2.375%	2.55%	100,459		535,459	22,870
2040	445,000	2.375%	2.55%	90,009		535,009	25,088
2041	455,000	2.375%	2.55%	79,322		534,322	20,573
2042	465,000	2.375%	2.55%	68,397		533,397	22,043
2043	480,000	2.500%	2.68%	56,875		536,875	24,338
2044	490,000	2.500%	2.68%	44,750		534,750	21,614
2045	500,000	2.500%	2.68%	32,375		532,375	23,361
2046	515,000	2.500%	2.68%	19,688		534,688	20,892
2047	530,000	2.500%	2.68%	6,625	(543,519)	(6,894)	361,993
<b>Total</b>	<b>9,465,000</b>			<b>3,683,876</b>		<b>12,529,260</b>	<b>1,106,945</b>

*All figures are final as of the December 9<sup>th</sup> pricing*

*Figures are rounded to the nearest dollar figure*



# Source & Uses and Summary Statistics

City of Willows Certificates of Participation (2021 Sewer System Financing Project)			
SOURCES & USES OF FUNDS			
	Refunding Portion	New Money Portion	Total
<b>Sources of Funds</b>			
Par Amount	5,885,000.00	3,580,000.00	9,465,000.00
Original Issue Premium	208,148.50	119,083.05	327,231.55
	<b>6,093,148.50</b>	<b>3,699,083.05</b>	<b>9,792,231.55</b>
<b>Uses of Funds</b>			
Deposit to Project Fund	-	3,350,000.00	3,350,000.00
Payoff of USDA Loan	5,518,040.85	-	5,518,040.85
Capitalized Interest	47,605.94	28,491.72	76,097.66
Debt Service Reserve Fund	337,940.61	205,578.15	543,518.76
Cost of Issuance	105,134.59	63,654.31	168,788.90
Underwriter's Discount	43,549.00	26,492.00	70,041.00
BAM Bond Insurance	40,877.51	24,866.87	65,744.38
	<b>6,093,148.50</b>	<b>3,699,083.05</b>	<b>9,792,231.55</b>

City of Willows Certificates of Participation (2021 Sewer System Financing Project)	
Summary of Financial Statistics	
SUMMARY STATISTICS	
Dated Date	December 22, 2021
Rating (Stand-alone/Insured)	BBB-/AA
Par Amount	\$ 9,465,000
Arbitrage Yield	2.44%
True Interest Cost (TIC)	2.45%
All-in TIC	2.66%
Average Life	14.69 years
Final Maturity	October 1, 2046
DEBT SERVICE	
Total Interest	\$ 3,683,876
Total Debt Service	\$ 13,148,876
Average Annual Debt Service	\$ 530,732
Total Savings from Refunding	\$ 1,106,945
Net Present Value of Savings from Refunding (\$)	\$ 783,824
Net Present Value of Savings from Refunding (%)	14.34%

*All figures are final as of the December 9<sup>th</sup> pricing  
Some figures are rounded to the nearest dollar figure*



# Breakdown of Financing Costs

Final Financing Charges			
Service	Provider	Cost	Notes
Bond Counsel	Quint & Thimmig	42,500.00	verified
Disclosure Counsel	Quint & Thimmig	30,000.00	verified
Municipal Advisor	Wulff, Hansen & Co.	39,500.00	verified
Trustee	US Bank NA	6,800.00	verified
City Attorney	Cole Huber	6,000.00	verified
Corporation	Public Property Financing Corp	3,500.00	verified
Rating	S&P Global Ratings	20,250.00	verified
Rate Study Reimbursement	City of Willows	10,000.00	verified
Printing	Elabra	1,085.00	verified
Miscellaneous		9,153.90	
<b>Sub-Total</b>		<b>168,788.90</b>	
Underwriter's Discount	Hilltop Securities	70,041.00	\$7.40 / bond
<b>Total</b>		<b>238,829.90</b>	

# Costs Comparison

Issuer	Sale Date	Project Name	Principal Amount	Total Issuance Costs	UW Total Discount /Spread	Financial Advisor Fee	Bond & Disclosure Counsel Fee	Trustee Fee	Credit Enhance ment Fee	Rating Agency Fee	Other Issuance Expenses	Total Issuance Costs less Credit Enhancement
Willows	12/9/2021	Sewer System	9,465,000	304,574	70,041	39,500	72,500	6,800	65,744	20,250	29,739	238,830
Napa Sanitation District	2/16/2021	Series A	8,560,000	325,842	98,558	115,000	77,000	4,500	0	21,250	9,534	325,842
San Luis & Delta-Mendota Water Authority	1/26/2021	OM & R Jones Pumping Plant	8,020,000	262,023	84,341	63,000	80,000	7,000	0	18,500	9,181	262,023
Central Marin Sanitation Agency	10/22/2020	Wastewater Facilities	9,115,000	259,592	90,126	60,000	67,500	6,200	0	18,000	17,766	259,592
Crescenta Valley Water District	9/1/2020	Water System Improvements	11,095,000	247,902	76,001	55,000	65,000	6,000	0	22,500	23,401	247,902
Vernon	4/30/2020	The Water System Series A	14,840,000	417,173	74,200	45,000	85,000	2,750	136,990	21,375	51,858	280,183

Includes Cost of Credit Enhancement



**\$9,465,000**  
**CERTIFICATES OF PARTICIPATION**  
**(2021 Sewer System Financing Project)**  
**Evidencing the Direct, Undivided Fractional Interests of the**  
**Owners Thereof in Installment Payments to be Made by the**  
**CITY OF WILLOWS**  
**(Glenn County, California)**  
**As the Purchase Price for Certain Property Pursuant**  
**to an Installment Sale Agreement with the**  
**Public Property Financing Corporation of California**

**TRUSTEE’S RECEIPT OF PROCEEDS**

The undersigned hereby states and certifies:

(i) that the undersigned is an authorized officer of U.S. Bank National Association, a national banking association under the laws of the United States of America, acting as trustee (the “Trustee”) under that certain Trust Agreement, dated as of December 1, 2021 (the “Trust Agreement”), by and among the Trustee, Public Property Financing Corporation of California (the “Corporation”), and the City of Willows, and as such, is familiar with the facts herein certified and is authorized to certify the same on;

(ii) that, on the date hereof, the Trustee received from Hilltop Securities Inc., as underwriter (the “Underwriter”), the amount of \$9,656,446.17 representing the net purchase price of the Bonds of \$9,722,190.55 (being the par amount of the Certificates, plus an original issue premium of \$327,231.55, and less Underwriter’s Discount of \$70,041.00), less \$65,744.38 being the premium for the municipal bond insurance policy (the “Policy”) issued by Build America Mutual Assurance Company, as bond insurer (“BAM”), paid by the Underwriter as an accommodation to City, and has deposited or transferred such amount this date as follows:

\$3,350,000.00	Deposited into the Project Fund
543,518.76	Deposited into the Reserve Fund
76,097.66	Deposited into the Installment Payment Fund representing capitalized interest with respect to the Certificates through April 1, 2022
5,518,040.85	Transfer to the United States of America, Department of Agriculture, for the redemption of the 2007 Certificates
168,788.90	Deposited into the Delivery Costs Fund
<u>9,656,466.17</u>	<b>TOTAL AMOUNT DEPOSITED THIS DATE</b>

(iii) that said purchase price was represented to the Trustee by the City to be as follows:

\$9,465,000.00	Principal Amount of Certificates
327,231.55	Plus: Net Original Issue Premium
(70,041.00)	Less: Underwriter’s Discount
<u>9,722,190.55</u>	Total Purchase Price
(65,744.38)	Less: Premium for the Policy paid to BAM
<u>\$9,656,466.17</u>	<b>NET AMOUNT RECEIVED FROM UNDERWRITER</b>

(iv) that the Trustee further acknowledges receipt this date of Policy No. 2021B1173; and

(v) and, that capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Trust Agreement.

Dated: December 22, 2021

U.S. BANK NATIONAL ASSOCIATION as  
Trustee

By   
 \_\_\_\_\_  
 Serena M. Kohne,  
 Vice President

**\$9,465,000**  
**CERTIFICATES OF PARTICIPATION**  
**(2021 Sewer System Financing Project)**  
**Evidencing the Direct, Undivided Fractional Interests of the**  
**Owners Thereof in Installment Payments to be Made by the**  
**CITY OF WILLOWS**  
**(Glenn County, California)**  
**As the Purchase Price for Certain Property Pursuant**  
**to an Installment Sale Agreement with the**  
**Public Property Financing Corporation of California**

**REQUISITION NO. 1**  
**FOR DISBURSEMENT FROM DELIVERY COSTS FUND**

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting City Manager of the City of Willows, a municipal corporation and general law city organized and existing under the Constitution and laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized to certify the same on behalf of the City;

(ii) that the undersigned is duly designated as a "City Representative" of the City, as such term is defined in that certain Trust Agreement, dated as of December 1, 2021 (the "Trust Agreement"), by and among U.S. Bank National Association, as trustee (the "Trustee"), the Public Property Financing Corporation of California, and the City;

(iii) that, pursuant to Section 3.04 of the Trust Agreement, the undersigned hereby requests the Trustee to disburse from the Delivery Costs Fund established under the Trust Agreement to the payee(s) designated on the attached Exhibit A, the respective sum set forth opposite each payee, for payment or reimbursement of the Delivery Costs (as such term is defined in the Trust Agreement) described on said Exhibit A; and

(iv) that the amounts to be disbursed herein are for Delivery Costs properly chargeable to the Delivery Costs Fund and have not been the subject of any previous disbursement requisition pursuant to Section 3.04 of the Trust Agreement.

Dated: December 22, 2021

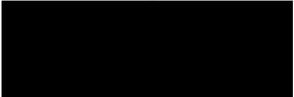
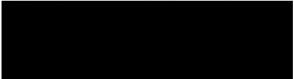

CITY OF WILLOWS

By   
 Marti Brown,  
 City Manager



**EXHIBIT A**

**COSTS OF ISSUANCE DISBURSEMENTS**  
**Requisition No. 1**

Payee Name and Address	Purpose of Obligation	Amount
City of Willows 201 North Lassen Street Willows, CA 95988	Reimbursement for Rate Study	\$10,000.00
Wulff Hansen & Co. 	Municipal Advisory Fee	\$39,500.00
Quint & Thimmig LLP 	Special Counsel Fee (\$42,500.00) and Disclosure Counsel Fee (\$30,000.00)	\$72,500.00
U.S. Bank National Association [Internal Transfer]	Trustee Fees	\$6,800.00
S&P Global Ratings 	Rating Agency Fee	\$20,250.00
Elabra 	POS/OS Posting/Printing	\$1,085.00
Cole Huber LLP 2281 Lava Ridge Court, Suite 300 Roseville, California 95661 Ref: 10581.004	City Attorney Fee	\$6,000.00
Public Property Financing 	Lessor Fee	\$3,500.00

**TOTAL: \$159,635.00**

*Blacked out information relates to service provider bank accounts*

# Conclusion

The successful completion of the 218 process and the issuance of the 2021 Sewer Bonds achieved:

- More than \$1 million in savings for the Sewer Enterprise Fund and its ratepayers with respect to the 2007 Certificates
- Cured the technical default with respect to the 2007 Certificates
- Generated \$3.35 million in Project Funds in an equitable manner - spreading the cost of infrastructure across both current and future ratepayers (previously current ratepayers were bearing the entirety of these costs)
- Liquidity within the Sewer Fund, positioning the Fund to build appropriate reserves and improve its projected credit metrics to keep borrowing costs low for any future capital needs
- Repositioned and restored the Sewer Enterprise's reputation and access to the bond market as a borrower, increasing its flexibility and access to capital should future financing needs arise

# Questions?

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*A copy of the 757-page financing transcript is now available electronically through the City Manager's Office*

