

August 5, 2024

TO: Honorable President and Board of Directors

FROM: Gary T. Arant, General Manager

SUBJECT: APPROVING AMENDMENTS TO THE STATE REVOLVING FUND LOAN AND ISSUANCE OF COMMUNITY FACILITIES DISTRICT No. 2020-1 (PARK CIRCLE EAST/WEST) SERIES 2024 SPECIAL TAX BONDS (TAX EXEMPT)

PURPOSE:

Request Board of Directors consider adopting:

- Resolution No. 2024-22 approving the form of amendments to the State Revolving Fund (“SRF”) Loans for the Woods Valley Ranch WRF Expansion Project and authorizing the General Manager to finalize negotiations with the State Water Resources Control Board (“SWRCB”) staff on the proposed amendments prior to issuing the Community Facilities District No. 2020-1 (Park Circle East/West), Series 2024 Special Tax Bonds (“Series 2024 Bonds”) and
- Resolution No. 2024-23 authorizing the issuance and sale of the Community Facilities District No. 2020-1 (Park Circle East/West) of the Valley Center Municipal Water District (“CFD 2020-1” or “CFD”) approving forms of documents required in connection therewith and authorizing the General Manager to finalize such documents and take all other actions necessary to issue the Series 1 Bonds.

SUMMARY:

CFD 2020-1 was established to provide the funding for the wastewater facilities needed for the Park Circle Projects (“the CFD Facilities”). The CFD Facilities include the following items; all pursuant to the terms and conditions of the CFD Financing Agreement dated May 18, 2020 between the Valley Center Municipal Water District (“VCMWD”) and owners of the Park Circle Projects:

- CFD 2020-1 share of the Assessment District No. 2012-1 (AD 2012-1) indebtedness of the Woods Valley Ranch Wastewater Expansion Project,
- Woods Valley Ranch WRF Capacity Charges (System Development Charges),
- Construction of the Orchard Run Lift Station,
- Future funding of the Phase 3 Facilities, including
 - Design and construction of the Phase 3 expansion of the Woods Valley Ranch WRF,
 - Additional seasonal storage, and
 - Recycled water transmission facilities.

Touchstone Communities, the developer of the Park Circle Project, provided funding for the planning and formation of CFD 2020-1 and the construction of the Orchard Run Lift station. Pursuant to the developer agreements, the developer is due reimbursement of

the \$3.805M in Advance Deposits they provided. Staff has worked diligently with the SWRCB staff since September '21 to obtain consent for CFD 2020-1 to issue bonds to reimburse the developer. However, due to complications with the SRF loan agreements, the bond sale has been delayed pending resolution of the agreement with SWRCB staff. SWRCB staff required the existing SRF loans be amended to include the CFD as a pledged security.

CWSRF Loan Agreement Amendments

VCMWD entered into three separate CWSRF loans (entitled "Installment Sale Agreements" by the SWRCB) to fund the following facilities needed for the Woods Valley Ranch Wastewater Expansion Project;

- the South Village Collection System Improvements,
- the Woods Valley Ranch Water Reclamation Facility Phase 2 Expansion, and
- the Charlan Road Seasonal Storage Improvements.

With the formation of the CFD, the SWRCB staff would not consent to the sale of bonds until the loan agreements were amended to add the CFD as a pledge security to the loans. There will be a separate amendment for each of the loans and the amendments are in final review by the SWRCB staff. Once the final version is prepared by the SWRCB staff and fully executed, VCMWD can finalize the CFD Series 1 Bond sale.

The following is a summary of the modifications included in the amendments:

- The properties making up the CFD were identified in the amendment.
- Additional Debt Test modified to require:
 - No senior obligations shall be issued, and
 - A revenue coverage of 110% of the annual debt service is required for all debt on parity with the SRF Loans.
- The special taxes levied within the CFD was added as a pledge security to the SRF Loan.
- The pledged securities will be the following:
 - AD 2012-1 Assessment,
 - CFD 2020-1 Special Taxes, and
 - Net Revenues of the Wastewater System.
- The SWRCB lien on the CFD Special Taxes is limited to the amount of the CFD Portion of the SRF Loan. The current balance of the CFD portion of each of the loans will be included in the respective amendment and represents the maximum amount of the SWRCB Lien.
- CFD Bonds may be issued on Parity or subordinate basis with the SRF Loans.
- A report must be provided to the SWRCB outlining the events leading up to the formation of the CFD and internal controls established to track compliance with the obligations stipulated in the SRF Loans.

Series 2024 Bond Issuance

Staff desires to proceed with approval of the Series 2024 Bonds to fund \$4.525M in reimbursements for prior project expenses including the planning and formation of CFD 2020-1, land acquisition for the Orchard Run Lift Station site, and construction of the Orchard Run Lift Station, as summarized in the following table:

CFD No. 2020-1 Facility Cost Reimbursement			
Project Fund Items	Amount	Source of Funds	
		Touchstone	VCMWD
Planning Formation Costs	\$375,000	\$375,000	
Reimbursement for Prior Expenses	\$100,000		\$100,000
Orchard Run Lift Station Land Acquisition	\$200,000		\$200,000
Orchard Run Lift Station Construction	\$3,850,000	\$3,430,000	\$420,000
Total Project Fund	\$4,525,000	\$3,805,000	\$720,000

In addition to the \$3.805M funding provided by Touchstone, VCMWD provided just over \$700K for CFD Facility expenses from the following various sources:

- Reimbursement for Prior Expenses (\$100,000) – Funded from the CFD Special Fund. The CFD Special Fund is where net Special Tax Revenues are deposited to be utilized for the design and/or construction of future Phase 3 facilities. Reimbursement from bond proceeds for these expenses would be returned to the CFD Special Fund.
- Orchard Run Lift Station Land Acquisition (\$200,000) – The 3.76-acre Orchard Run Site was provided in lieu of the \$5,000 per EDU Project Participation Deposit for 40 EDUs. Reimbursement from bond proceeds for this item will replenish funding in the Participation Deposit Fund.
- Orchard Run Lift Station Construction (\$420,000) – Funding for construction of the lift station in excess of Touchstone's Advance Deposits was funded from the Woods Valley Ranch Replacement Reserve. Reimbursement from bond proceeds for these expenses will be returned to the WVR Replacement Reserve.

Adam Bauer with Fieldman, Rolapp & Associates, Inc. will make a virtual presentation at the Board meeting addressing the proposed issuance of the Series 2024 Bonds, the District's continuing disclosure obligations and reviewing the documents that are being presented for approval. These documents include the following:

- Resolution Authorizing the Issuance and Sale of the Bonds,
- Preliminary Official Statement,
- Continuing Disclosure Agreement,
- Fiscal Agent Agreement, and

- Bond Purchase Agreement.

Approval of these documents is subject to final completion and execution of the three SRF Loan amendments.

RECOMMENDATION:

Staff recommends the Board of Directors adopt the following resolutions:

- Resolution No. 2024-22 of the Board of Directors of the Valley Center Municipal Water District:
 - Approving the form of the Second Amendments to the three Installment Sale Agreements with the State Water Resources Control Board for the Woods Valley Ranch Wastewater Expansion Project and
 - Authorizing the General Manager, or his designee, to execute the final form of the amendments in substantial conformance to the attached draft amendment on behalf of the District, subject to final review by BBK; and
- Resolution No. 2024-23 of the Board of Directors of the Valley Center Municipal Water District acting in its capacity as the legislative body of the Community Facilities District No. 2020-1 (Park Circle Ease/West):
 - Authorizing and providing for the issuance of Special Tax Bonds of such community facilities district,
 - Approving the form of:
 - the Fiscal Agreement;
 - the Bond Purchase Agreement;
 - the Preliminary Official Statement; and
 - Other documents related thereto, and
 - Authorizing certain actions in connection with the Issuance of the Bonds.

PREPARED BY:



Wally Grabbe, PE
District Engineer

SUBMITTED BY:



Gary T. Arant
General Manager

Attachments:

- Resolution No. 2024-22
 - Draft form of Loan Amendment
- Resolution No. 2024-23
 - Attachments to the resolution are available for review online at www.vcmwd.org/CFD2020-1_Series2024_Bond