

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR AN
EXEMPT FACILITY PROJECT

Prepared by Richard C. Fischer.

Applicant:	Carmichael Water District
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Allocation Amount Requested:	\$8,315,000
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Project Name:	Bajamont Water Plant 3501 Bajamont Carmichael, California 95608
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Project Sponsor Information:	
Name:	Carmichael Water District
Address:	7873 Fair Oaks Boulevard Carmichael, California 95608
Contact:	Steve Nugent
Phone:	(916) 483-2452

Project Financing Information:	
Bond Counsel:	Law Office of Perry Israel
Bond Rating:	Standard & Poor's AA
Bond Sale:	Public Competitive Sale
Bond Interest Rate:	Fixed Rate

Project Sponsor's principal activity:	According to the application, one the applicant's principle activities is the delivery of a safe, reliable water supply to its customers.
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First Tier Business (Yes/No):	No
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Authority: The District is applying for volume cap as part of a "remedial action" being taken pursuant to Treasury Regulations §1.141-12(f) with respect to governmental bonds in the form of Certificates of Participation (the "COPs") that were issued by the District in 2010. Treasury Regulations §1.141-12(b) provides that, if certain conditions are met (which the District and its COPs meet) and the remedial action is taken, it will cure the use of proceeds that causes the private business use test to be met. The District proposes to meet the requirements of the remedial action described in Treasury Regulations §1.141-12(f), a so-called "alternative use of the facility." This is permitted because a permitted form of tax-exempt private activity bond is bonds issued to provide facilities for the furnishing of water under Section 142(a)(4) of the Internal Revenue Code of 1986 (the "Code"). Pursuant to Treasury Regulations §1.141-12(f), the portion of the COPs represented by the sale of capacity to Golden State (36%) will be treated as reissued on the date that the contract is entered into to sell capacity to Golden State for purposes of Sections 141, 142, 146, 147, 149, and 150 of the Code. If that portion (the so-called "nonqualified bonds") satisfy all of the requirements for qualified bonds, the COPs will be treated as remediated. There are currently \$22,355,000 par amount of the COPs outstanding. 36% of this amount is \$8,047,800. However, the COPs were issued with original issue premium, and so the amount of volume cap required is equal to the amortized issue price of those \$8,047,800 par amount of COPs. This has been calculated to be approximately \$8,315,000 as of January 1, 2016.

Sources of Funds:

Tax-Exempt Bond Proceeds	\$ 8,315,000
Other Sources	<u>\$ 29,537,966</u>
Total Sources	\$ 37,852,966

Uses of Funds:

Bond Issuance Expenses (including discount)	\$ 918,868
Interest During Construction	\$ 2,552,966
Project Fund & Reserve Fund	<u>\$ 34,381,132</u>
Total Uses	\$ 37,852,966

Description of Proposed Project: Water is diverted to the Bajmont Treatment Plant from the American River, pumped and treated using membrane filtration, then sent to a clearwell and chlorine contact chamber prior to distribution through booster pumps. The plant has excess capacity capabilities that will enable it to fulfill a negotiated contract with Golden State Water Company to replace contaminated groundwater. In order to allow the water district to utilize its facilities for private purposes, the requested remedial action is necessary.

Environmental impact: See Exhibit A

- 1) Air Quality: None indicated.
- 2) Water Quality: According to the application, Carmichael Water District will treat and deliver 4.5 million gallons of water per day to the Golden State Water Company to replace contaminated groundwater.
- 3) Energy Efficiency: None indicated.
- 4) Recycling of Commodities: None indicated.
- 5) Safety and Compliance: None indicated.
- 6) Consumer Costs Savings and Efficiencies: Yes.

Local government support: The Applicant indicates that it has authority and support granted by the Resolution 12142015-1 passed and signed by the Carmichael Water District Board of Directors on December 14, 2015.

Legal Questionnaire: No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Recommendation: Staff recommends transfer of \$8,315,000 from the Undesignated Reserve Pool to the Exempt Facility Pool and that the Committee approve \$8,315,000 in tax-exempt bond allocation to fund the Bajmont Water Plant Project.