MUNICIPAL DEBT ESSENTIALS

SEPTEMBER 15-17, 2026 | SAN JOSE, CALIFORNIA

INTRODUCTION

Evolution of the Bond Market and Current Trends

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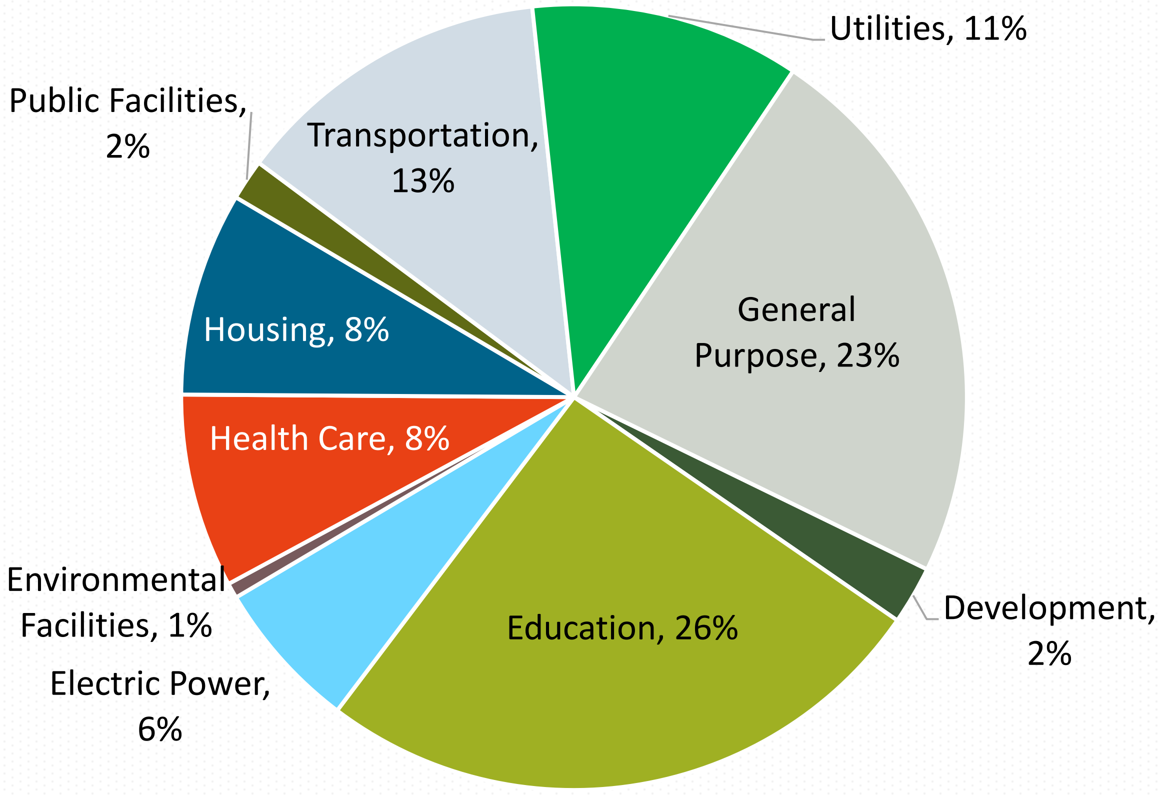
Municipal Market Snapshot

Municipal vs. Corporate Bonds Comparison

	Municipal Securities	Corporate Securities
Market Size	$4.4 Trillion	$11.0 Trillion
No. of Securities	~1,000,000	~60,000
Daily Trading Volume	$13.2 Billion	$68.1 Billion
New Issue Volume	$582.0 Billion	$2.2 Trillion
Default Rates	0.1%	2-4%

Municipal Issuance by Sector (CY 2025)



Sources: MSRB Federal Reserve, SIFMA, Refinitiv, and Moody's ("US Municipal Bond Defaults and Recoveries, 1970–2024," August 2025; Moody's Investors Service, Annual Default Study, 2025).

Municipal Market Timeline – 1800's & 1900's

1812
New York City Issues First Municipal Bonds

1873
Panic of 1873

1879
California Constitution Places Limits on Debt

1913
Revenue Act of 1913 codified exemption of municipal interest

1933/1934
1933 and 1934 Securities Act

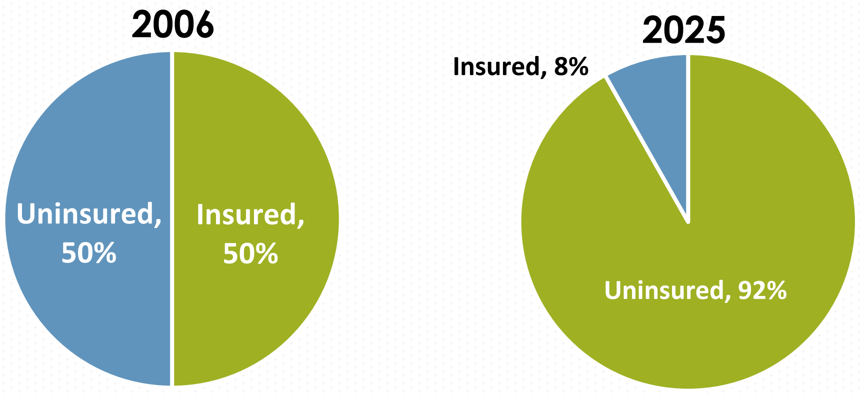
1975
Creation of the Municipal Securities Rulemaking Board

1978
Proposition 13 in California

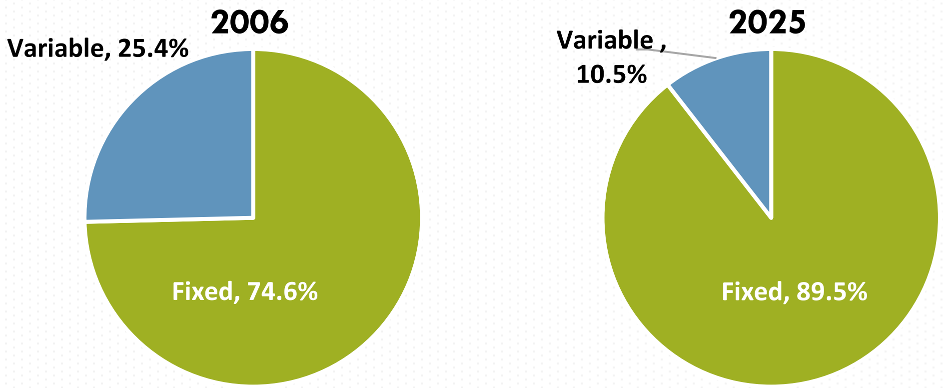
The 2000's – Financial Crisis and ARRA

Financial Crisis (2007-2008)	
Consolidation/Elimination of Banks	• Bear Stearns and Lehman Brothers
Reduction of Monoline Bond Insurers	• FGIC, FSA, MBIA and Ambac
Reduction of Variable Rate Debt and Derivatives	• Auction Rate Securities and Interest Rate Swaps
American Recovery and Reinvestment Act (2009)	
Build America Bonds (BABs) and Other Tax Credit Bonds	• Taxable bonds with direct pay federal subsidy to issuers • Average annual taxable issuances in 2009 and 2010 increased by more than 4-fold vs. the years just prior to ARRA
AMT Exemption	• Temporarily eliminates AMT on private activity and governmental bonds

Uninsured vs. Insured Bonds[1]



Fixed Rate vs. Variable Rate Bonds[1]



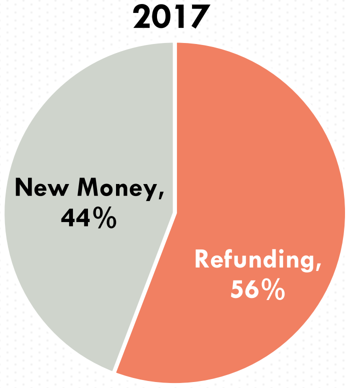
(1) Percentage based on par volume
Source: LSEG

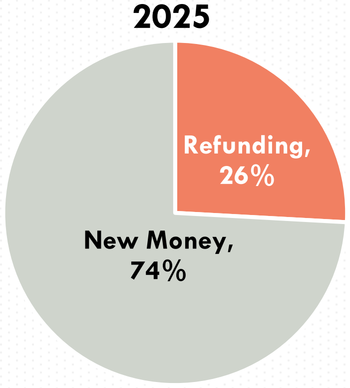
The 2010's – Tax Reform

- ***In 2025, One Big Beautiful Bill Act maintained many provisions of TCJA and implemented other tax changes***

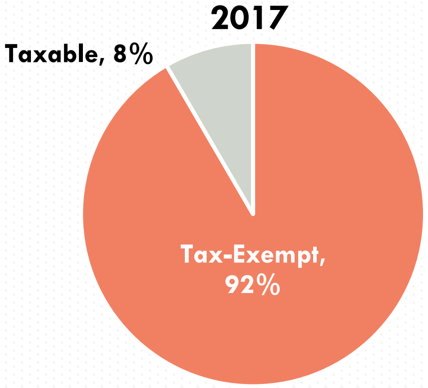
Tax Cuts and Jobs Act of 2017 (TCJA)	
Individual Tax Rates	• 7-brackets but with lower rates (0%-37%) • Kept AMT but at higher income threshold
Corporate Tax Rates	• Reduced "C" corporations tax rate from 35% to 21%
State and Local Taxes	• Capped deduction of state and local property taxes up to $10,000
Advance Refunding Bonds	• Eliminated tax-exempt advance refundings
Tax Credit Bonds	• Eliminated tax credit and direct pay bonds

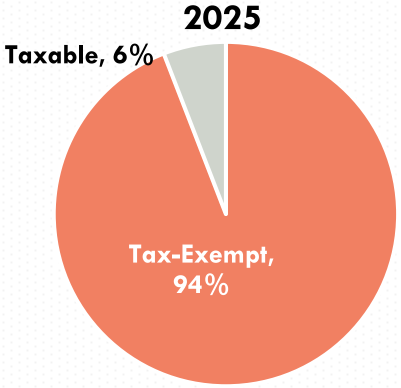
Refunding vs. New Money Bonds(1)





Tax-Exempt vs. Taxable Bonds(1)





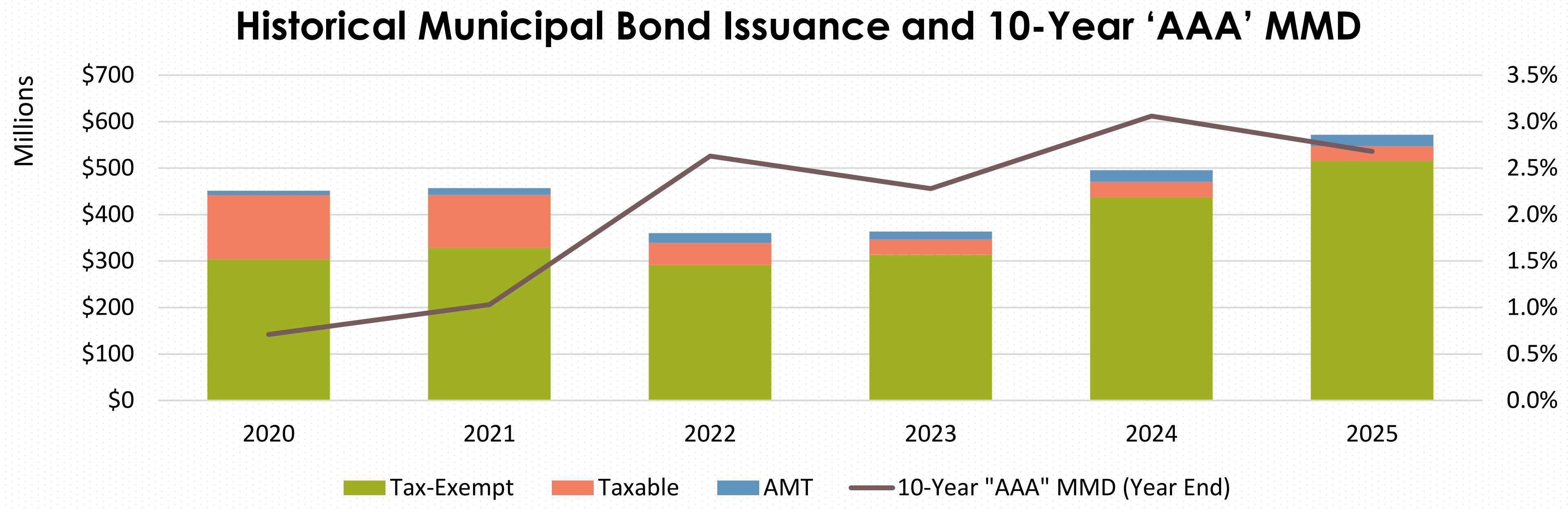
(1) Percentage based on par volume.
Source: LSEG.

More Regulation and Disclosure

- **Rule 15c2-12 (1989)**
  - Response to Washington Public Power Supply
  - Requires standards of disclosure for municipal bonds by underwriters
- **Amendment of 15c2-12 (1995)**
  - Response to Orange County bankruptcy
  - Requires continuing disclosure
- **15c2-12 New Disclosure (2019)**
  - Adds two new disclosure items
- **SEC Enforcement Division Unit (2010)**
- **Dodd-Frank Act (2010)**
  - Expands MSRB's mission and grants rulemaking authority over municipal advisors
- **SEC Municipal Advisor Rule (2014)**
  - Establishes fiduciary duty on the municipal advisor
  - Imposes restrictions on communications between non-municipal advisor and municipal client
- **Municipalities Continuing Disclosure Cooperation (MCDC) Initiative**
  - Focus on compliance of continuing disclosure undertakings

Annual New Issuance Activity

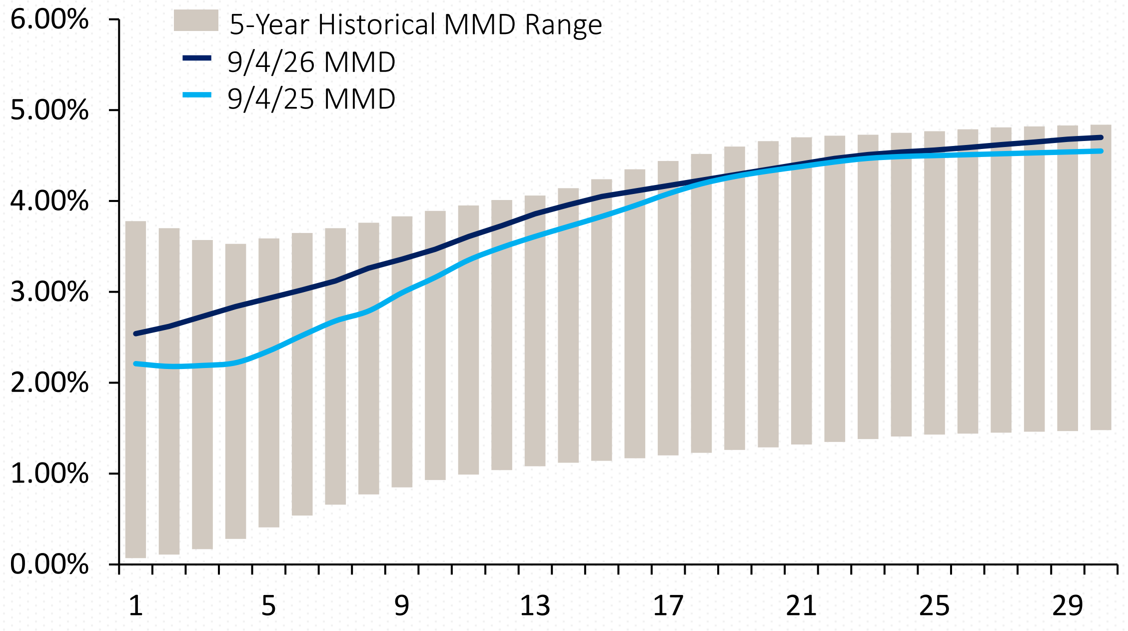
- 2025 municipal issuance was another record year
- Combination of inflation and spend down of COVID-era funds has led to increased new money needs
- Muni-Treasury ratios highly influential on the issuance volume of taxable municipal bonds



(1) Source: Refinitiv and LSEG.

Current Market Dynamics

‘AAA’ MMD Yield Curve

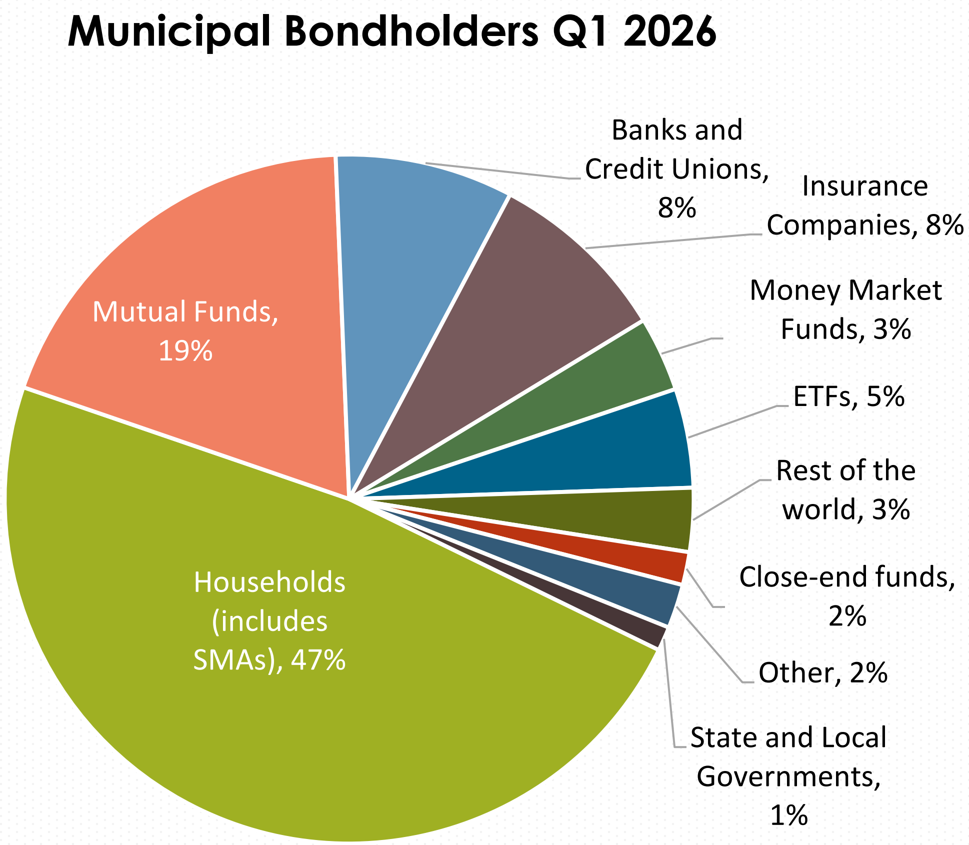


	Current 9/4/26	Weekly Change	3-Month Change	6-Month Change	YTD Change
5-Year MMD	2.93%	+0.13%	+0.35%	+0.68%	+0.53%
10-Year MMD	3.47%	+0.14%	+0.52%	+0.77%	+0.69%
30-Year MMD	4.70%	+0.15%	+0.40%	+0.44%	+0.45%
5-Year UST	4.54%	+0.06%	+0.25%	+0.82%	+0.80%
10-Year UST	4.78%	+0.05%	+0.23%	+0.63%	+0.59%
30-Year UST	5.24%	+0.02%	+0.23%	+0.47%	+0.38%
5-Year MMD/UST	64.54%	+2.04%	+4.40%	+4.05%	+0.37%
10-Year MMD/UST	72.59%	+2.19%	+7.76%	+7.53%	+6.25%
30-Year MMD/UST	89.69%	+2.53%	+3.87%	+0.39%	+2.25%

Source: Thomson Reuters and US Department of the Treasury as of 9/4/26.

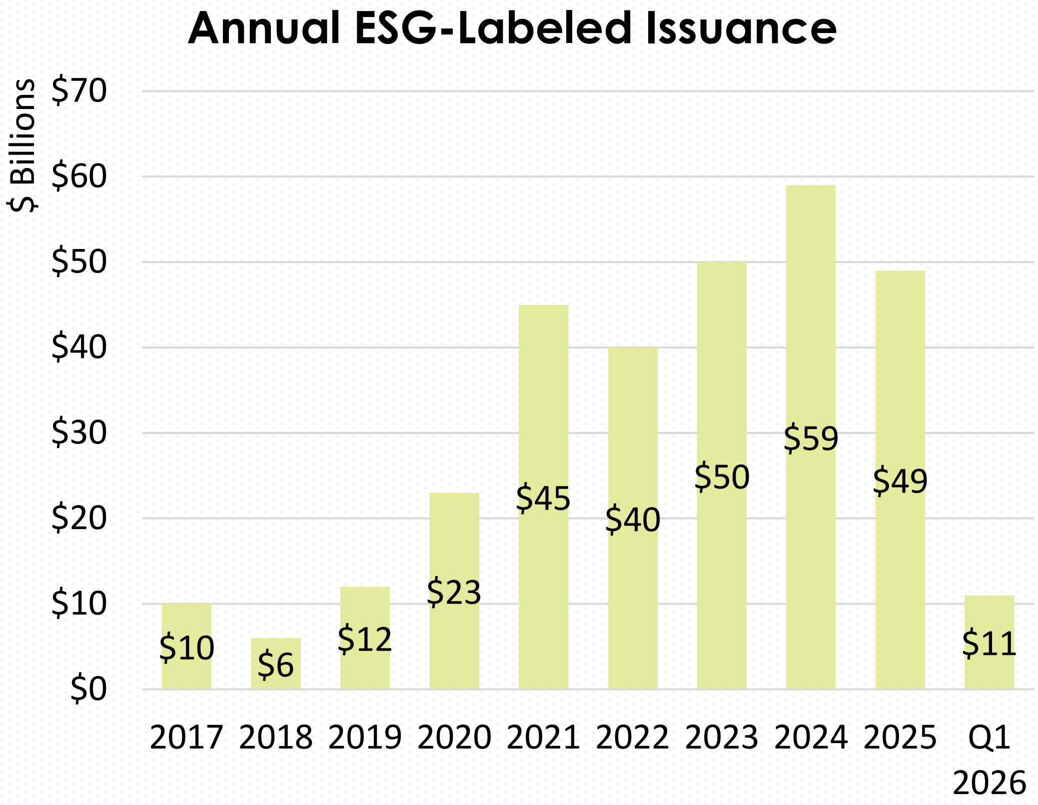
Municipal Bondholder Composition

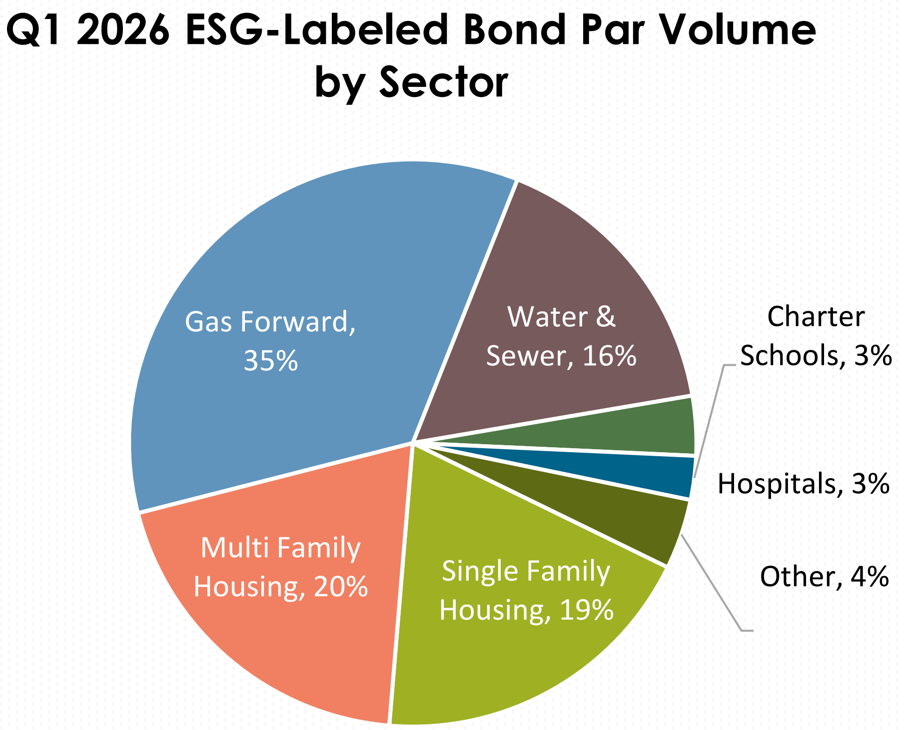
- We continue to see a shift from traditional municipal bond holders (banks, insurance companies, etc.) towards Separately Managed Accounts (SMAs), mutual funds, and Exchange-Traded Funds (ETFs)
- Households comprise approximately 47% of municipal bond holdings
  - Decline in direct ownership and rapid growth of SMAs
- In recent years, ETFs have been one of the fastest growing segments of municipal bond holders, while holdings by banks and insurance companies have declined



Source: Federal Reserve System, table F3.4s Municipal Securities.

Environmental, Social and Governance (ESG) -Labeled Bonds





Source: Bloomberg.

2026 YTD Issuance Trends

- As of mid-August 2026, new bond issuance stands at $374.4 billion (about 1% ahead of 2025's record pace)
  - $265.6 billion new money
  - $53.6 billion refunding
  - $55.4 billion mix (new money and refunding)
- Refundings have mainly comprised of tax-exempt current refundings and forward delivery refundings
  - As rates trend higher, taxable advance refundings become less attractive
  - Tender refundings continue to be one of the tools available to municipal issuers, but the structure is highly dependent on rates, muni-Taxable ratios, and investor participation (tender solicitations over $100 million in size have amounted to $15.8 billion in 2026 YTD, down from 2025 ($34.2 billion), 2024 ($47.8 billion) and 2023 ($34.0 billion)
- Variable rate demand obligations and other short-term structures are once again a consideration for municipal issuers
- Negotiated bond offerings have gained traction over competitive bid financings over the past year as municipal issuers look for timing and structural flexibility due to increased market volatility

Other Market Trends

- Larger New Issuance Calendars
- Strong Market Technicals and Municipal Fund Inflows
- California Transactions Continue to Benefit from Trading Differentials
- Proactive Marketing of Transactions
- Return of Variable Rate Structures and Short-Term Products
- Growing Use of Artificial Intelligence
- Cybersecurity Incidents and Disclosure

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Risk Disclosures – Fixed Rate Bonds[1]

Material Risk Consideration	Description of Risk	Potential Consequences
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents	• Range of available remedies may be brought against Issuer (e.g., forcing Issuer to raise taxes or rates) • Credit ratings negatively impacted • Access to capital markets impaired • Possibility of receivership or bankruptcy for certain issuers
Redemption Risk	The ability to redeem the bonds prior to maturity may be limited	• Inability to refinance at lower interest rates
Refinancing Risk	Possibility that the bonds cannot be refinanced	• Inability to refinance at lower interest rates
Reinvestment Risk	Possibility that the Issuer may be unable to invest unspent proceeds at or near the interest rate on the bonds	• Negative arbitrage resulting in a higher cost of funds
Tax Compliance Risk	For tax-exempt bonds, possibility that failure to comply with tax-related covenants results in the bonds becoming taxable obligations	• Increase in debt service costs retroactively to date of issuance • Possible mandatory redemption of bonds affected • Risk of IRS audit • Difficulty in refinancing the bonds • Access to tax-exempt market impacted • Difficulty in issuing future tax-exempt debt

(1) You should consult with your financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate concerning such risks.

Risk Disclosures – Forward Delivery Bonds(1)

Material Risk Consideration	Description of Risk	Potential Consequences
Risk of Inability to Satisfy Conditions for Delivery of Bonds	Possibility that conditions to closing cannot be met on delivery date (e.g., intervening changes in law (resulting in either a change in tax status or any other reason that would prevent counsel from delivering an opinion), material litigation filed, adverse change in rating on the bonds or an event of default or material adverse change occurs)	• Transaction cannot be consummated
Underwriter Default Risk	Possibility that underwriter cannot perform on delivery date	• Transaction cannot be consummated
Fewer Potential Purchasers	Risk that the universe of potential investors may be limited to additional risks	• Pricing of the bonds and the amount of the forward delivery premium may be adversely affected
Availability of Better Alternatives	Possibility that it is more advantageous to wait and remarket or refinance outstanding bonds	• May not obtain the best economic result by proceeding with issuance of forward delivery bonds

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Risk Disclosures – Tender & Exchange Offers(1)

Material Risk Consideration	Description of Risk	Potential Consequences
Uncertainty of Results	Uncertainty of results	• Tender offer is not successfully consummated or the amount of bonds tendered may be less than expected • May be required to increase price that is paid
Varying Impact on Bondholders	Bondholders may be impacted differently by the terms of the tender offer	• Holders of other bonds may be affected • May impact results of tender offer
Alternatives May Be Better	Waiting to refinance or remarket may be economically advantageous	• Higher costs may be incurred • May not obtain the best economic result

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Risk Disclosures – Variable Rate Demand Bonds[(1)]

Material Risk Consideration	Description of Risk	Potential Consequences
Issuer Default Risk	Possibility that the interest rate may increase on an interest reset date	• Increase in debt service costs (up to maximum rate) • Lower debt service coverage ratios • Lower cash reserves
Liquidity Risk	Possibility that VRDOs cannot be successfully remarketed resulting in a draw under a liquidity facility or payment of funds if self-liquidity	• Increase in debt service costs due to higher bank bond rate and accelerated principal repayment • May be required to refinance or "term out" the VRDOs • Inability to refinance or possibly higher interest rates • Provide funds for tendered VRDOs if self-liquidity
Remarketing Agent Risk	Possibility that the remarketing agent does not perform its duties in a satisfactory manner or may resign or cease its remarketing efforts	• Higher interest rates • Difficulty remarketing or refinancing the VRDOs • May have difficulty in appointment of a successor remarketing agent
Refinancing Risk	Possibility that VRDOs cannot be refinanced	• Inability to refinance or possibly higher interest rates
Liquidity Facility Renewal Risk	Possibility that the liquidity facility will not be extended for a successive commitment period or not be replaced at a reasonable cost	• Issuer required to repay principal and accrued interest on tender date if Issuer is not able to refinance • Increase in debt service costs

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Risk Disclosures – Variable Rate Demand Bonds[1]

Material Risk Consideration	Description of Risk	Potential Consequences
Liquidity Provider Default Risk	Possibility that the liquidity provider defaults in its obligations under the liquidity facility or its ratings are reduced.	• Issuer required to repay principal and accrued interest if Issuer is not able to refinance • Increase in debt service costs
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents or the liquidity agreement with the bank supporting the VRDOs	• Range of available remedies may be brought against Issuer (e.g., forcing Issuer to raise taxes or revenues) • Credit ratings negatively impacted • Default could impact remarketing which could cause increase in debt service costs • Access to capital markets impaired • Possibility of receivership or bankruptcy for certain issuers
Issuer Ratings Downgrade Risk	Possibility of a downgrade of the Issuer's ratings	• Ratings change could result in optional tenders or impact remarketing which could cause increase in debt service costs • Higher liquidity facility fees resulting in higher cost of funds
Regulatory Risk	Possibility that prospective regulatory requirements increase cost of obtaining and maintaining liquidity facility	• Increase in debt service costs • Higher liquidity facility fees resulting in higher cost of funds

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Risk Disclosures – Variable Rate Demand Bonds[1]

Material Risk Consideration	Description of Risk	Potential Consequences
Reinvestment Risk	Possibility that the Issuer may be unable to invest unspent proceeds at or near the interest rate on the VRDOs	• Negative arbitrage resulting in higher cost of funds
Tax Compliance Risk	For tax-exempt bonds, possibility that failure to comply with tax-related covenants result in the VRDOs becoming taxable obligations	• Increase in debt service costs retroactively to date of issuance • Possible mandatory redemption of bonds affected • Risk of IRS audit • Difficulty in refinancing the VRDOs • Access to tax-exempt market impacted • Difficulty in issuing future tax-exempt debt
Money Market Reforms	Possibility of further money market reform changes related to money market funds that invest in VRDOs	• Reduced market demand for VRDOs • Higher interest rates • Difficulty in remarketing the VRDOs • Increased optional tenders due to investor changes and increased liquidity draws

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QUESTIONS?

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SESSION ONE

The Issuer's Role in Planning a Debt Issuance

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AGENDA

1. Financial Planning
2. Developing & Maintaining a Debt Policy
3. Issuing Debt for Capital Projects
4. Issuer Roles & Responsibilities

Financial Planning

Dennis Kauffman
City of Roseville

Financial Planning

- Multi-year financial planning
- Capital planning policies
- Capital improvement plan

Multi-Year Financial Planning

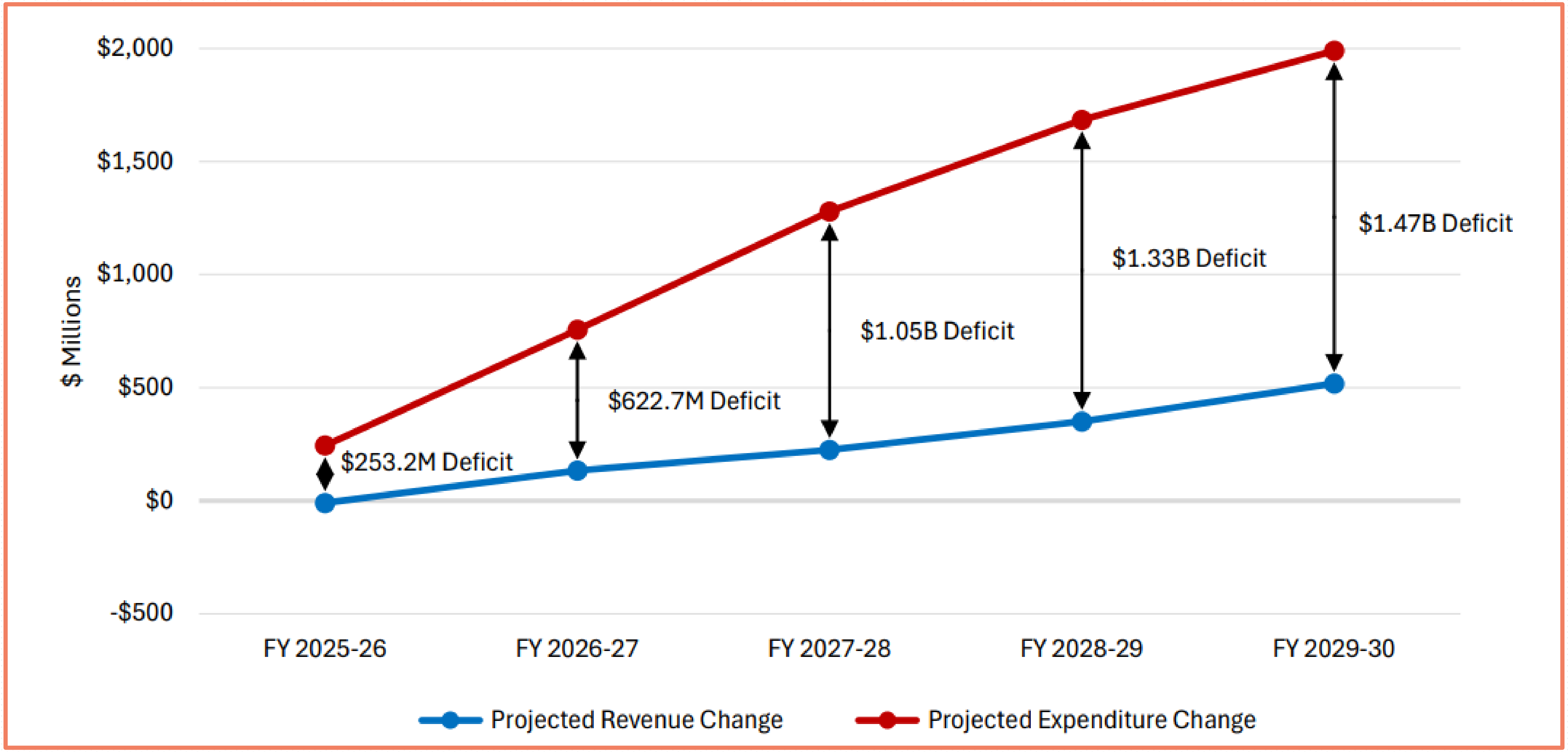
- Governments should develop a realistic multi-year financial plan
- The plan should include:
  - Operating revenue estimates (focus on largest revenues)
  - Operating expenses, including O&M related to capital assets
  - Capital projects – growth-related, and rehab and replacement
  - Financing for capital projects
- Governments should maintain multi-year financial plans for each significant fund
  - General Fund
  - Enterprise funds

Multi-Year Financial Planning

(CONTINUED)

- Plan does not need to be complex
- Make sure to capture future events
- Labor agreements
- Facilities coming online
- Known/projected changes to revenues
- Should capture at least a five-year picture
- Clearly discuss your assumptions
- Update at least annually, but monitor monthly/quarterly
- Present annually to your governing board
- A simple PLAN is better than no PLAN

Examples of Multi-Year Financial Planning



Examples of Multi-Year Financial Planning

(CONTINUED)

Electric Fund ($ in millions)	FY2026-27 Budget	FY2027-28 Projected	FY2028-29 Projected	FY2029-30 Projected	FY2030-31 Projected
Revenues					
Operating	$ 238.0	$ 243.4	$ 244.3	$ 247.9	$ 247.3
Non-Operating	0.7	4.5	4.6	4.5	4.4
Capital	9.8	8.8	3.0	3.0	3.0
Total Revenues	**248.5**	**256.7**	**251.9**	**255.4**	**254.7**
Expenses					
Power Supply	99.0	103.4	99.5	107.4	105.6
Generation	32.2	28.0	28.9	31.4	33.1
Operating	76.8	70.7	73.0	75.9	75.3
Non-Operating	20.5	20.2	20.2	20.2	20.2
Capital	34.2	31.4	32.4	27.0	27.9
Total Expenses	**262.7**	**253.6**	**253.9**	**261.8**	**262.0**
Revenues Less Expenses	**$ (14.2)**	**$ 3.1**	**$ (2.1)**	**$ (6.4)**	**$ (7.4)**

Capital Planning Policies

- Governments should develop and adopt capital planning policies
  - Who? How?
- Framework for stakeholders to understand their roles and responsibilities and process expectations
  - Who are the stakeholders?

Capital Planning Policies

(CONTINUED 2 of 3)

- Policies should:
  - Promote sound, long-term operational and capital financing strategies
  - Describe approach to capital planning
  - Define what is a capital improvement project
  - Identify how prioritization and decision-making for projects occur
  - Require assessment of entity’s fiscal capacity (e.g., each fund)

Capital Planning Policies

(CONTINUED 3 of 3)

- Policies should:
  - Link funding strategies with useful lives of assets
  - Require multi-year capital improvement plan (CIP) that includes long-term financing considerations and strategies
  - Develop a process to ensure compliance with legal requirements for capital project funding (e.g., AB1600)
  - Include significant capital maintenance projects (rehab and replacement)
  - Have a process for monitoring and oversight of the CIP program

Capital Improvement Plan: Best Practice

- GFOA Best Practice – Multi-Year Capital Planning
  - Governments should adopt comprehensive, fiscally sustainable, multi-year CIP to ensure effective management of capital assets
- CIP should cover five years or more
- Review/update annually

Capital Planning and Infrastructure Best Practices

Example of Capital Improvement Plan

Capital Improvement Program

The five-year Capital Improvement Program (CIP) plans for the maintenance, enhancement and expansion of core infrastructure to ensure the continuation of high levels of service.

The following is a breakdown of CIP expenses by program areas (in millions):

Program area	FY2026–27	Five-year CIP
Citywide Technology	$ 1.5	$ 3.0
Electric	$ 33.4	$ 154.6
General Government	$ 5.9	$ 5.9
Parks, Recreation & Libraries	$ 17.9	$ 72.4
Public Safety	$ 1.0	$ 1.0
Public Works	$ 5.5	$ 207.1
Waste Services	$ .2	$ .2
Wastewater	$ 13.1	$ 99.0
Water	$ 12.0	$ 76.0
Total	**$ 90.5**	**$ 619.2**

Capital Improvement Plan: Needs

- Identify Needs:
  - Using information such as development projections, strategic plans, comprehensive plans, facility master plans, and regional plans
  - Governments should identify present and future service needs that require capital infrastructure or equipment
  - Develop a capital asset life cycle for major capital assets
  - Break out by fund (e.g., general fund, enterprise funds)

Capital Improvement Plan: Impacts

- Determine Financial Impacts
  - Capital asset life cycle should include costs to operate, maintain, administer and rehab or replace the capital asset
  - An estimate of all major components required to implement a project should be outlined, including land acquisition needs, design, construction, contingency, and post-construction costs
  - Impact on operating budget resulting from capital projects

Capital Improvement Plan: Prioritization

- Prioritize expected needs based on a strategic plan
- Scope and timing of a planned project should be well defined in the early stages of the planning process
- When evaluating capital requests, governments should first prioritize based on:
    - Health and Safety
    - Asset Preservation
    - Service/Asset Expansion

Capital Improvement Plan: Prioritization
(CONTINUED)

- In prioritization process, attention should be given to:
  - Coordination with related entities
  - Allow submitting department to provide initial prioritization
  - Incorporate input and participation from major stakeholders and the public
  - Apply analytical techniques, as appropriate, for evaluating potential projects (e.g., net present value, payback period, cost-benefit analysis, life cycle costing, cash flow modeling)
  - Use a rating system to facilitate objective decision-making

Capital Improvement Plan: Financing Plan

- Capital financing plan should:
  - Anticipate expected revenue and expenditure trends including relationship to multi-year financial plans and ongoing impacts to the operating budget due to the capital plan
  - Consider cash flow projections of the amount and timing of the capital financing
  - Specify funding sources (PAYGO, debt, combination)
  - Comply with all established financial policies
  - Recognize appropriate legal constraints

Capital Improvement Plan: Environmental, Social & Governance (ESG)

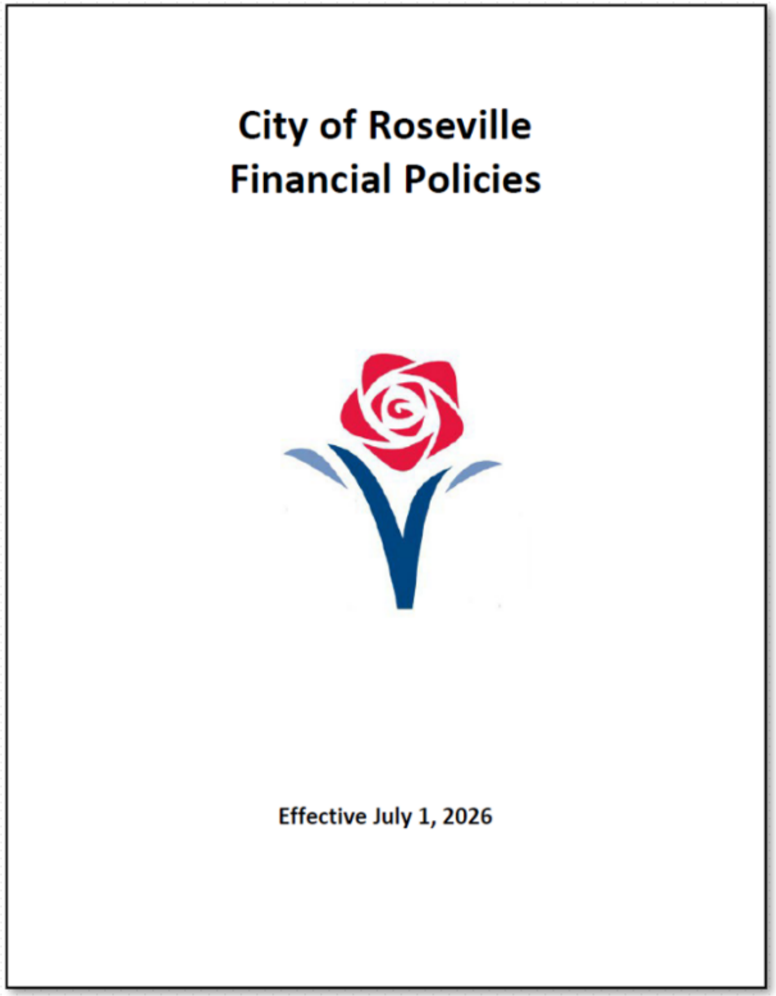
- GFOA recommends integrating ESG into capital planning by:
  - Provide any project that has a direct or related E, S, or G material risk or measurable benefit with a brief description to inform financing team
  - Summarizing potential ESG projects in the CIP to highlight the initiatives for public interest
  - Consider prioritizing debt financing for ESG projects

Developing & Maintaining a Debt Policy

Dennis Kauffman
City of Roseville

Developing and Maintaining a Debt Policy

- Importance of a debt policy
- Components and compliance
  - Issuance and management practices
  - Structuring parameters
  - Disclosure and tax compliance
- Implementation and maintenance


City of Roseville
Financial Policies

Effective July 1, 2026

Importance of a Debt Policy

- Guides the debt issuance practices of state or local governments
- Improves the quality of decisions
- Communicates policy goals to internal and external parties
- Provides guidelines for the structure of debt issuance
- Demonstrates a commitment to long-term capital and financial planning and enhances intergenerational equity
- Displays commitment to adhere to local, state, and federal laws
    - SB 1029

Importance of a Debt Policy
(CONTINUED)

- Provides information and guidance to staff and elected officials
- Enhances internal management practices
- External recognition and transparency
  - Credit rating agencies
  - Investors and the public know the entity's parameters
- Regulators ask for evidence of policies and procedures
- Establishes a road map of procedures to stay out of trouble

Components of a Debt Policy

- Authority to Issue Debt
- Entity's debt limits
  - Legal restrictions (e.g., state constitution, bond referenda)
  - Public policies (purposes, tied to CIP, economic development)
  - Financial restrictions (debt limits and debt capacity)
    - Debt per capita
    - Debt to personal income
    - Debt to personal property
    - Debt service payments as % of general fund revenues/expenditures

Components of a Debt Policy

(CONTINUED 2 of 5)

Types of Debt Allowed to be Issued

- General obligation and parameters of that pledge
- Revenue
- Taxable (including tax-credit and subsidy)
- Fixed or variable rate
- Direct purchase (bank loan or private placement)
- Refundings
- Other products: pension obligation bonds (POBs), OPEB bonds, swaps and other derivatives
  - GFOA advisories

Components of a Debt Policy
(CONTINUED 3 of 5)

Debt Structuring

- Maximum term
- Average maturity
- Debt repayment structure
- Use of optional redemption features
- Other features such as bond insurance and reserve accounts

Components of a Debt Policy

(CONTINUED 4 of 5)

Debt Issuance Practices

- Selection of external professionals
- Process and criteria for determining method of sale
- Evaluating bond pricing
- Use of credit rating agencies
- Primary disclosure practices and procedures

Components of a Debt Policy
(CONTINUED 5 of 5)

Debt Management Practices

- Investment of bond proceeds
- Budgeting for and making debt service payments
- Continuing disclosure practices
- Federal tax law compliance (e.g., arbitrage, private use)
- Monitoring refunding opportunities
- Investor relations

Implementation and Maintenance

- Develop with team (with a team leader)
- Internal staff sign off
- Approval from governing body
- Dissemination to team (internal and external)
- Compliance procedures for the policy
  - How will we do what we said we would do?
  - Develop checklists to document compliance
- Periodically review and update policy in response to changing market and regulatory requirements (review at least annually)

Implementation and Maintenance: Final Thoughts

- If starting from scratch, review policies from peer governments
- Review Model Debt Management Policy - CMTA Certification Program
- Develop section by section
- Have separate policies where needed – e.g., continuing disclosure, investment of proceeds, use of derivatives
- Stay alert for changing state and federal laws and regulations
- Debt policy provides cover in certain situations
  - Outside Professionals
  - Elected Officials
  - The Media

Issuing Debt for Capital Projects

Anna Van Degna
City & County
of San Francisco

Confirm Debt is the Right Path for Your Project

- What is the Project?
  - Expected lifetime of asset (capital vs operating costs)
- What Are Your Financing Strategies?
  - Consider all funding alternatives, including cash funding or "Pay-as-you-go"
  - What revenues are available – or could be raised – to repay debt?
  - What financing tools are available in the current market at reasonable cost?
  - What is permissible under federal, state and local laws?
  - What is allowable per your debt management policy?

What is the Right Amount of Debt?

LEGAL LIMITS

Debt Capacity

- Most states impose legal limits on how much debt can be issued.
- Typically based on market value of property within a jurisdiction.
- Most often applicable only to general obligation debt.

FINANCIAL LIMITS

Based on Revenue Sources

- Revenue Bond capacity will depend on ability and willingness to raise rate and to maintain market accepted debt service coverage factors.

INTERNAL POLICY LIMITS

Debt Affordability

- Internal debt policies may provide additional limitations on how much debt can be issued.

Legal Limits on Municipal Borrowing

California Constitutional Debt limit

- Cities and counties cannot issue “debt” without a 2/3rds voter approval
  - Exceptions
    - Long term leases not long term “debt” if subject to annual appropriation/abatement
    - Special fund debt, such as water or sewer enterprise (rates and charges)
    - “Obligation imposed by law”, such as pension or judgement liability

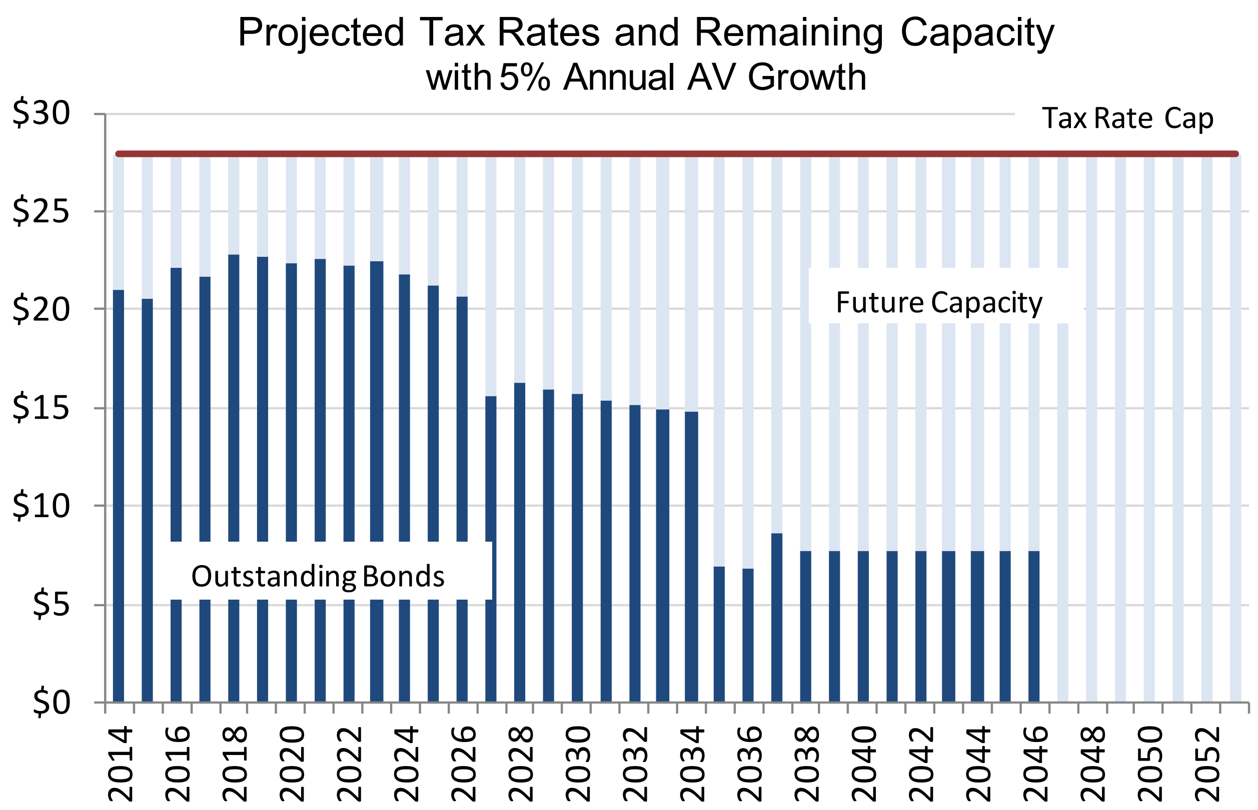
Federal Tax Law Limitations

- Projects must be for **governmental use** to qualify for tax-exemption
- Certain uses – housing, student loans, industrial development must compete for state private activity volume cap allocations (CDLAC in California) to qualify for <u>tax-exemption</u>
  - Arbitrage restrictions – no “printing press”; not an investment hedge
  - Taxable bonds are an alternative but are typically bear higher interest costs

Financial Limits

Structure debt to fit within available capacity

- How much debt are you legally allowed to issue?
- Debt covenant restrictions
- Future principal and interest payments
- Overlapping debt



Policy Considerations

- Excessive debt service as a percentage of expenses can serve to constrain future opportunities
  - Maximum Annual Debt Service (MADS) as a % of projected revenues/expenditures
- However, debt issued for projects also grows strategic programs, increases the entities revenue and operating expense base, and can provide additional prudent borrowing capacity in future years
- <u>Be mindful of rating agency analysis</u>

Debt Affordability & Credit Ratings

- Determining “affordability” is an art, not a science
- Rating agencies assess a municipal bond issuer’s ability to repay debt and assign a rating based on the credit quality (likelihood of repayment) of the bonds.
  - Investment grade bond ratings range from a low of BBB/Baa to a high of AAA/Aaa
  - Higher ratings generally result in lower borrowing costs

	Credit Ratings		
	Moody's	S&P	Fitch
Investment Grade	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
	A2	A	A
	A3	A-	A-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Speculative Grade	Ba	BB	BB
	B	B	B
	Caa	CCC	CCC
	Caa	CCC	CCC
	C	C	C

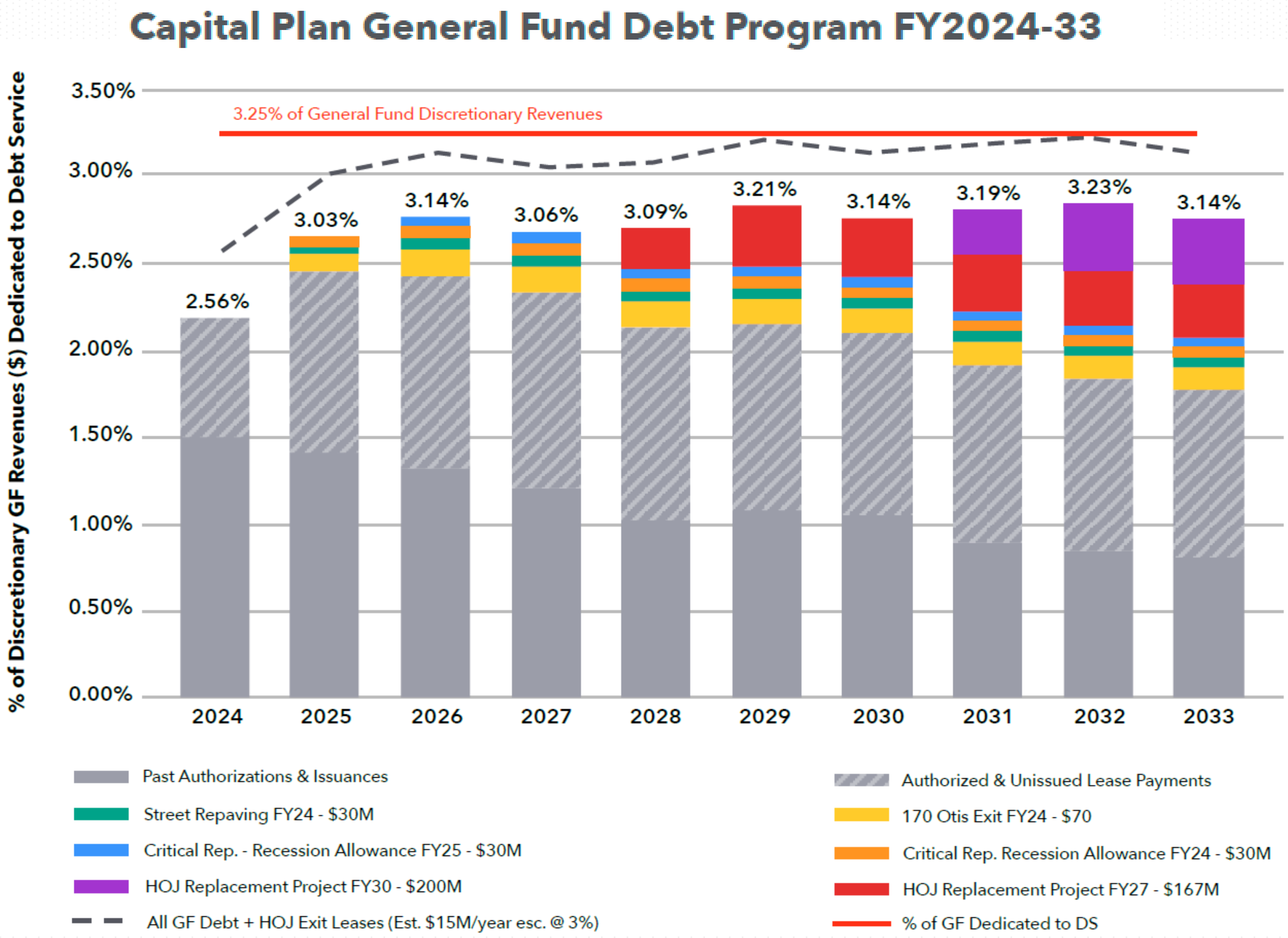
CASE STUDY:

What Type of Debt is Best for the Project?

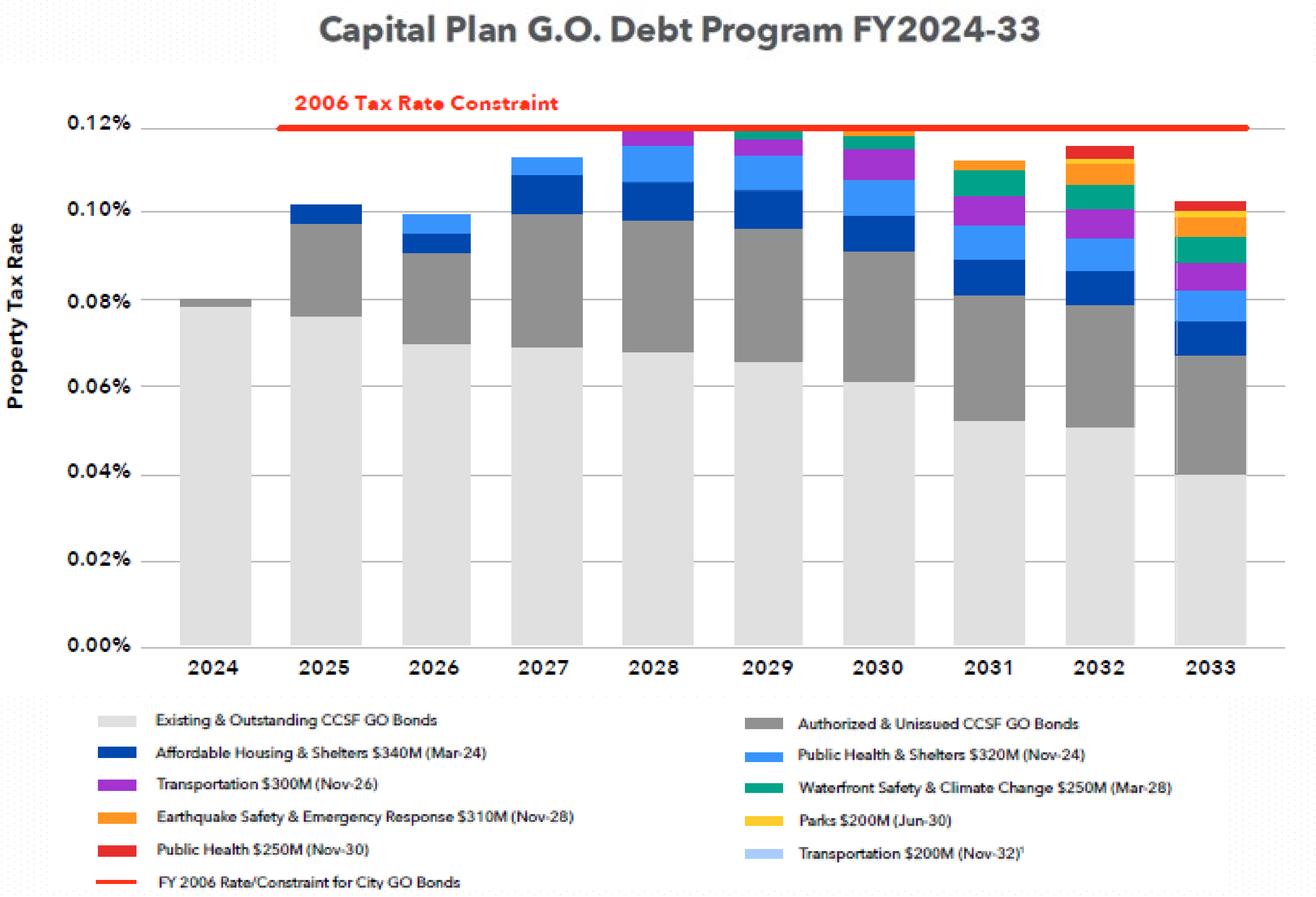
- Policy and Legal Constraints vary by bond type

	GENERAL OBLIGATION BONDS	CERTIFICATES OF PARTICIPATION	SPECIAL TAX BONDS	TAX INCREMENT BONDS	REVENUE BONDS
SECURITY	Unlimited ad valorem property tax (voter approval required)	Annual appropriation for use and occupancy; subject to abatement	New special tax levied on property tax bill (property owners' vote < 12 registered voters)	% of increased property tax revenues above base year in district	Enterprise revenue, toll road or sales tax pledges as an example
POLICY AND/OR LEGAL CONSTRA-INTS	% of assessed value; Annual tax rate	Available assets; policy and/or affordability limits	CDIAC Land Secured Guidelines; Local Goals & Policies	Additional bonds test	Rate covenant; Additional bonds test

Case Study – What are the Potential Constraints?

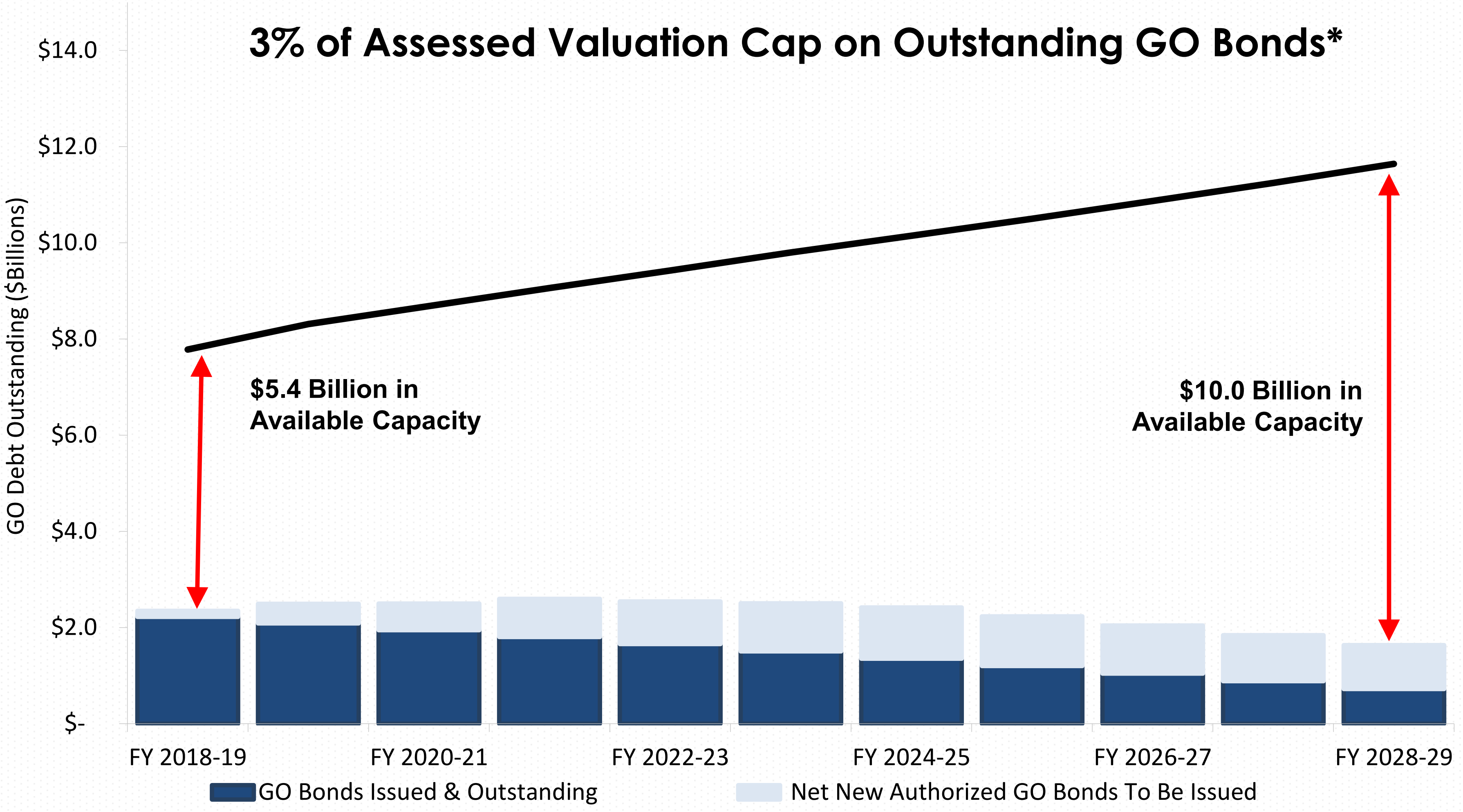


Case Study – What are the Potential Constraints?
(CONTINUED 2 of 3)



Case Study – What are the Potential Constraints?

(CONTINUED 3 of 3)



Per Section 9.106 of San Francisco's Charter.

Issuer Roles & Responsibilities

Anna Van Degna
City & County
of San Francisco

Understanding Your Responsibilities

- Debt Issuance is **<u>NOT</u>** a Casual Assignment
- This is YOUR transaction
- Your financing team assists largely until the "deal" closes - your [agency] then will have to live with this contractual obligation for the next 20-30 years –
- If anything goes wrong (i.e., default, audit, etc.), the regulators/enforcers will come knocking on **<u>your</u>** door
- Don't forget the potential for personal liability and reputational damage

Role of the Finance Officer

- Your role extends past administration of debt program
- You must understand your responsibilities as they relate to:
  - Federal Securities Law / Federal Tax Law
  - State Law
  - Your Entity Ordinances, Charter etc.
- Have documented policies and procedures
- Be aware of your roles and responsibilities PRIOR to starting the debt issuance process, ***not after***
- A finance officer's responsibility is to taxpayers and ratepayers to <u>ensure costs of debt repayment are most favorable in short and long-term</u>

Role of the Finance Officer

(CONTINUED 2 of 4)

- ***Hire experienced and trustworthy consultants***
- Be an active participant during the process
  - Attend every meeting
  - Read all the documents
  - <u>Don't be afraid to ask questions</u>
  - Be prepared to present the transaction to your governing board
  - If you don't understand the transaction, do not present it to the governing body
- Make sure your internal team understands their responsibilities
  - Offer bond training courses

Role of the Finance Officer

(CONTINUED 3 of 4)

- As you prepare to issue debt, issuer staff should coordinate internal team members (finance staff, internal city/county/district attorneys, project managers, etc.)
  - Work with “partner” agencies by providing direction, leadership, oversight, and guidance
  - Select and assign duties to outside finance team participants and manage performance
  - Manage the financing project and timeline
  - Structure financing within parameters of state and local law and legislatively adopted policy

Role of the Finance Officer

(CONTINUED 4 of 4)

- Select the method of sale in consultation with municipal advisor and be consistent with debt policy
- Negotiate business points and structure of the transaction
- Ensure consistent, accurate, and complete disclosure to the marketplace – both initial and ongoing
- Your job doesn't end when the bonds are issued
  - Oversee debt service payment process and disbursement of project funds
  - Ensure tax and disclosure compliance
    - Now comes the real work!

Who's Who on the Financing Team?

- Municipal Advisor (MA)
- Bond Counsel
- Disclosure Counsel
- Paying Agent/Trustee
- Underwriter (if negotiated sale)
- Underwriter's Counsel (if negotiated sale)
- *Verification Agent (if refunding)*
- *Bidding Agent (if open market escrow refunding)*
- *Others (examples: Special Tax Consultant, Appraiser)*

Types of Legal Counsel in Bond Transactions

Not all types of counsel are needed on every transaction. Will depend on type of bonds, method of selling bonds, and issuer preferences

- **Internal Issuer Counsel:** Issuers own internal counsel that focuses on ensuring compliance with local ordinances, codes, and policies
- **Bond Counsel:** Provides legal opinion that the bonds 1) are legally issued; and 2) meet IRS tax-exemption standards
- **Disclosure Counsel:** Assists issuers with primary disclosure obligations and typically also assists with secondary disclosure
- **Bank Counsel:** Similar to underwriter's counsel, bank counsel represents banks direct purchases, bank loans, etc.
- **Underwriter's Counsel:** represents underwriter in a negotiated bond sale

Financing Team Assembly/Procurement

- Are you getting good advice from experienced professionals?
  - Reference GFOA Best Practices
- GFOA Best Practices Include:
  - Selecting and Managing Municipal Advisors
  - Selecting Bond Counsel
  - Selecting and Managing the Method of Sale of Bonds
  - Selecting and Managing Underwriters for Negotiated Bond Sales
  - Issuer’s Role in the Selection of Underwriters Counsel
- **KNOW YOUR ENTITY’S PROCUREMENT POLICIES!**

Who Should I Hire First?

- Unless you have in-house expertise and access to market information, hire a municipal advisor (MA) prior to undertaking a debt financing

- It is recommended to hire an MA through an RFP process and to establish a scope and fee schedule (for example - contingent vs. non-contingent) prior to determining whether or not to issue bonds and what the method of sale should be

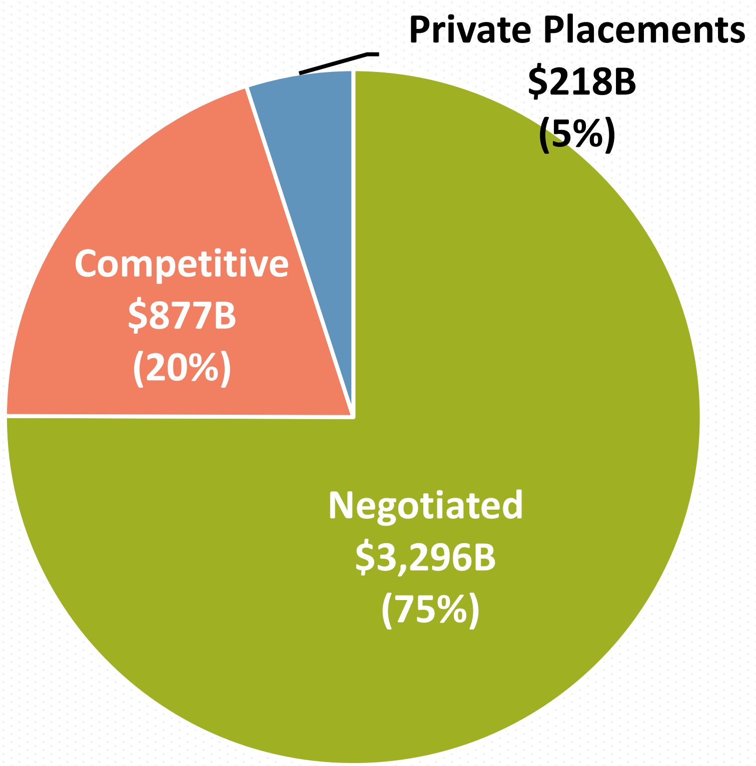
- **Prior to onboarding your Municipal Advisor, ensure your MA firm and the individual MA you are hiring is registered with the MSRB:**
  - http://msrb.org/MARegistrants.aspx

- Your MA is required under federal law to be **your** fiduciary (representing you the debt financing process)

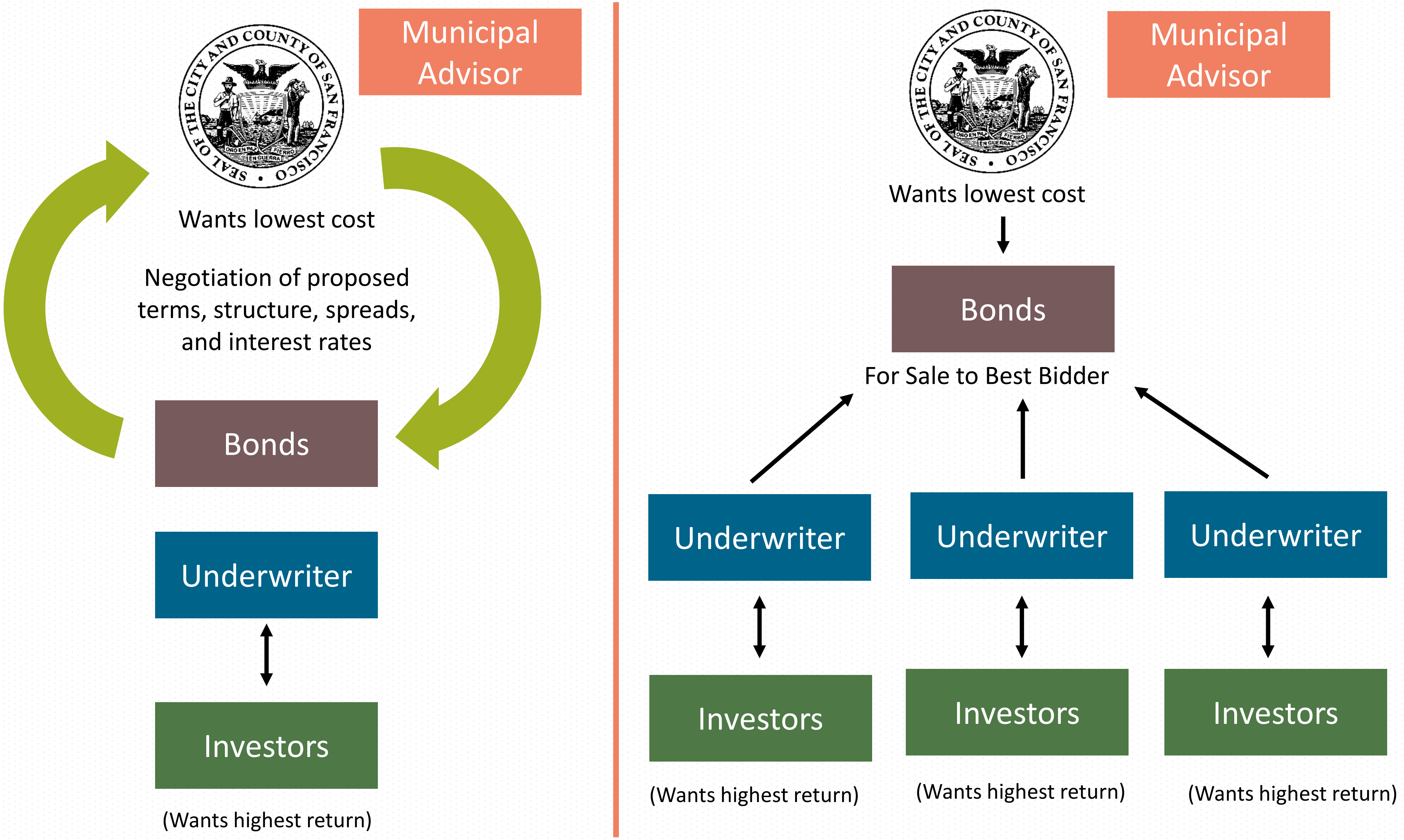
How are Municipal Bonds Sold?

- **Competitive**
  - Auction of bonds; Highest price, lowest yield wins
  - Led by municipal advisor
  - Underwriter not involved until bid
  - Typically no pre-marketing to investors
  - Underwriter(s) liable for unsold balance
- **Negotiated**
  - Interest rates and call features negotiated
  - Underwriter involved early in the process; due diligence
  - Pre-marketing to investors
  - Underwriter(s) liable for unsold balance
- **Private Placements**
  - Entire issue is typically bought by a single investor (or group of accredited investors)
  - Purchaser is typically a bank
  - Rate may be higher but costs of issuance can be lower

Last Decade of Municipal Bond Issuance By Type of Sale



Negotiated vs. Competitive Sale



Managing Your MA Relationship

- Ongoing Communication of Priorities, Objectives, And Expectations
  - Match to specific issuer project/financing needs
    - For example, swap advisor
  - Active vs. Passive
  - Continuity of MA staff
  - Written scope of services from issuer assists with this
- Use of Multiple MAs
  - Project or task-specific
  - Pricing and/or post-pricing specialists

Wrap Up: Recap of the Bond Financing Process

Financing Plan
(Months 1-2)

- Engage financing team members
- Clarify project list
- Analyze financing options

Preparing Bond Sale
(Months 3-4)

- Draft legal documents and preliminary official statement (POS)
- Seek credit rating
- Secure Council/Board financing approvals

Pricing/Closing
(Months 5-6)

- Post POS/ Notice of Sale
- Market bonds to investors or bidders
- Set interest rates
- Deliver funds

Post-Closing
(Thereafter)

- Make timely debt payments
- Provide ongoing disclosure
- Tax compliance (Keep good records, spend proceeds timely)

QUESTIONS?

DENNIS KAUFFMAN
Assistant City Manager/
Chief Financial Officer
City of Roseville

ANNA VAN DEGNA
Public Finance Director
City and County of San Francisco

SESSION TWO

Debt Structuring, Method of Sale, & Credit Enhancement

DARREN HODGE
Managing Director
PFM Financial Advisors LLC

NIKOLAI SKLAROFF
Capital Finance Director
San Francisco Public Utilities Commission

Financing Structuring Considerations

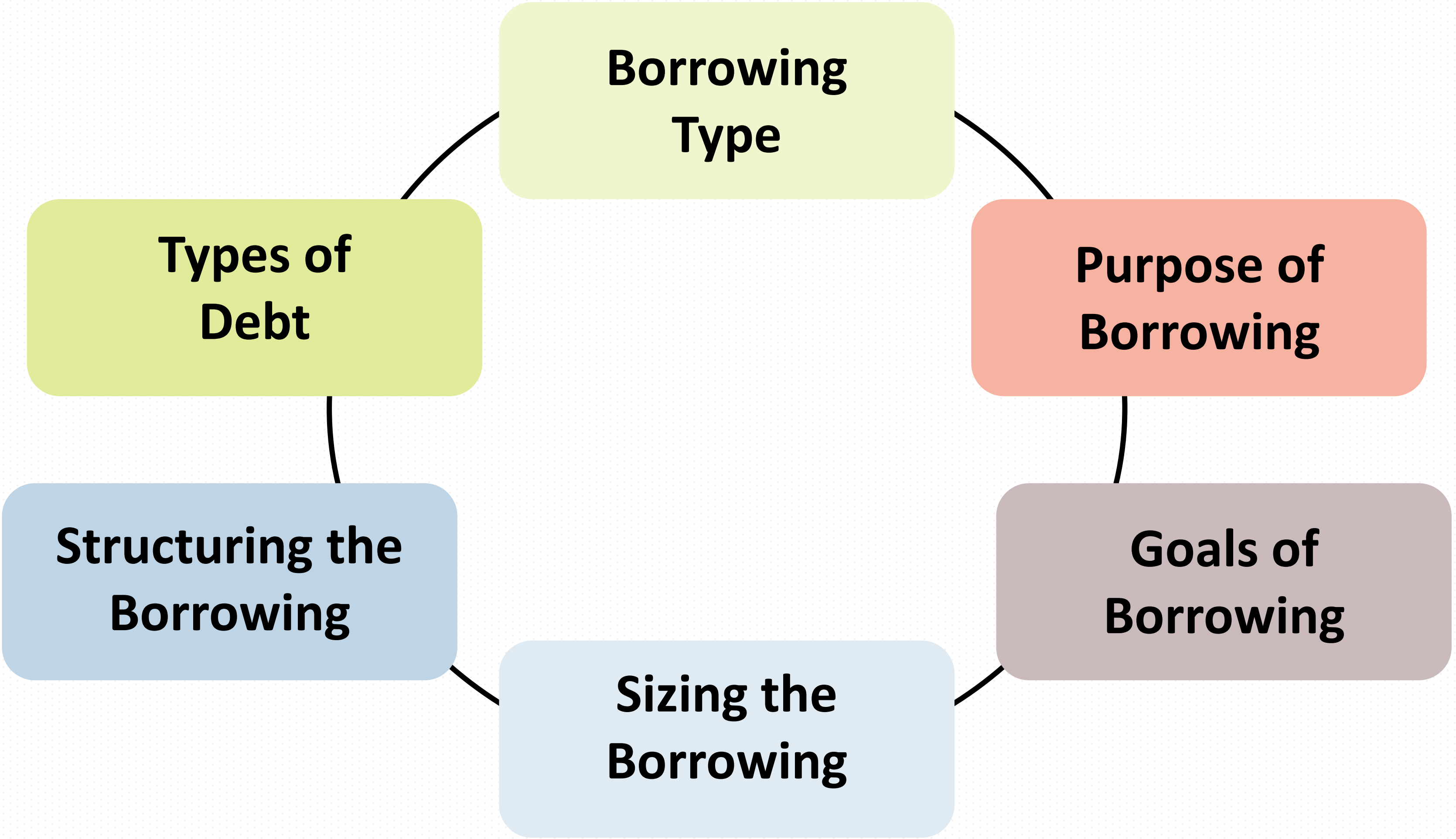
- Purpose and necessity of debt
- Organizational type (Governmental, Enterprise or Other)
- Long-term strategic goals of organization
- Debt policy (SB 1029)
- Current debt burden and debt capacity
- Long-term financial planning
- Intergenerational equity considerations
- Fluid market conditions

Purpose of Debt

- Many municipal entities are responsible for funding public projects
- Characteristics of the project often dictate the appropriate type of funding
- Long-lived infrastructure capital assets have different financing suitability vs. assets with shorter lives

Type of Funding	Advantages	Disadvantages
PAYGO *Pay for capital projects as revenue is saved or received from existing sources*	• Future funds not subject to debt service payments and the payment of interest	• Subject to limitations of available revenue • Rate considerations • Long wait time for new infrastructure
Grant Funding *Apply for State and Federal grants*	• Does not take away from any funding source	• Inconsistent and unreliable • May not cover full project costs • Funds often received on reimbursement basis • May "federalize" project
Borrow *Issue Debt*	• Spreads cost over the useful life of the asset; reduces need for large, regular increases in rates • Funds received when needed • Intergenerational equity	• Repayment includes interest costs • Various forms of borrowing may have specific terms/conditions • Ongoing obligations to lender(s)

Considerations in Structuring a Financing



Borrowing Type

	Public Sale	Private Placement	Federal/State Loan
	Public offering of bonds through either a negotiated or competitive sale	Financing provided by bank	Loan financing provided by Federal or State agency
Benefits	• Mature market • Predictable schedule • Proceeds available immediately • Borrowing terms may be customized	• Time efficient execution • Proceeds available immediately • Borrowing terms may be customized • Disclosure documents not required • Ratings often not required	• Low interest rates (typically) • Interest rate not as sensitive to ratings • State loans may have grants or principal forgiveness
Considerations	• Market conditions • Disclosure and ratings process adds time to schedule	• Market conditions • Borrowing terms may not be as flexible as other options	• Competitive application process • May not finance 100% of needs • Borrowing terms may not be as flexible as other options • Legal covenants may be more restrictive • Funds received as reimbursement • Application process

Public Offering

- Underwriter purchases bonds from Issuer, then sells those bonds to investors
  - Can be accomplished through either a negotiated or competitive sale process
- Preliminary Official Statement is produced and distributed to investors
  - Primary marketing document that investors use to make their investment decision
  - Underwriter and Issuer are responsible for all due diligence
- Bonds are typically rated by a rating agency
  - Ratings provide a third-party determination of the likelihood of timely repayment of debt service
  - Ratings lower the interest rate
- Legal terms and covenants can be tailored – with careful consideration of the marketing and rating implications
- Repayment can be structured to meet the needs of the Issuer – with careful consideration of the marketing, rating and interest rate implications

Private Placement

- Financing provided by a bank not through a public offering
- Offering Statement not required
- Ratings are typically not required; however, banks will perform their own review of Issuer’s credit and set their interest rate and loans terms based on this review
- Legal terms and covenants can be tailored but are subject to negotiation with the bank
- Repayment can be structured to meet the needs of the Issuer but are subject to negotiation with the bank

Method of Sale

	COMPETITIVE SALE	NEGOTIATED SALE	PRIVATE PLACEMENT
Mechanics	▪ Issuer, MA and legal counsel structure transaction and prepare/review transaction documents ▪ A date and time are set on which underwriters submit bids for the bonds ▪ Bonds awarded to underwriter submitting the bid with the lowest true interest cost	▪ Underwriter selected prior to the pricing of the bonds (typically near the outset of the transaction) ▪ Issuer, MA, underwriter and legal counsel structure transaction and prepare/review transaction documents ▪ Underwriter markets bonds ▪ At pricing, interest rates are set based on comparable sales and level of investor interest	▪ Bank is selected based on rate and borrowing terms ▪ May utilize placement agent ▪ Loan terms negotiated directly with bank
Time to Complete Transaction	▪ 3-4 months	▪ 3-4 months	▪ 2-3 months
Offering Statement Required	▪ Yes	▪ Yes	▪ No
Ratings Required / Utilized	▪ Yes (typically)	▪ Yes (typically)	▪ Not usually
Structuring	▪ Flexible	▪ Flexible	▪ Flexible, with potentially limits on the final maturity of the loan
Issuance Expenses	▪ Higher costs of issuance	▪ Higher costs of issuance	▪ Lower costs of issuance
When Most Appropriate (Generally – Situations May Vary)	▪ Well known issuer ▪ Conventional bond structure ▪ High credit quality ▪ Favorable market conditions	▪ Unknown issuer ▪ Complicated structure or large size ▪ Complicated credit ▪ Weak, volatile or challenging market	▪ Smaller borrowings ▪ Shorter term (~10-15 years) ▪ "Story" borrowings

Federal/State Loans

- Financing provided by Federal or State agency (SRF, IEDB, USDA, WIFIA, CWIFP, TIFIA)
- Disclosure through a Preliminary Official Statement typically not required
- Some loans may require a rating
- Legal terms and covenants may be flexible, certain loan programs have standard terms and covenants which may differ from those available under other methods of borrowing
- Repayment structure may be flexible, certain loan programs have greater flexibility than others
- Loan proceeds may be disbursed on a reimbursement basis making cashflow during construction an important consideration

New Money and Refunding

New Money

- Bond proceeds are issued to generate “new” funds
- Typically for the construction, rehab or improvements to infrastructure

Refunding

- Refinancing of existing debt
- Typically to reduce future debt service costs
- Also can be used to restructure debt payments for strategic purposes

Sizing a Financing

- The elements of financing may differ by:
  - Type of borrowing (GO, revenue bond, etc)
  - Project type
  - Issuer financing plan
  - Ratings
  - Use of Proceeds (new money vs. refunding)
- Not all elements will be applicable to various financings

Project / Construction Fund

Capitalized Interest Fund

New Money Only

Escrow

Refundings Only

Debt Service Reserve Fund

Costs of Issuance Fund

Underwriter's Discount

Bond Insurance

Project / Construction Fund

- Proceeds to fund project acquisition and/or construction
- Based on actual costs or detailed estimates
- Can include contingency funds
- Two methods of funding
  - Gross funded – exact project amount
  - Net funded – less than project amount, interest earnings during construction period used to meet project amount

Capitalized Interest Fund

- Proceeds to pay interest during project construction and / or revenue ramp-up / stabilization period
- May provide necessary cashflow relief during construction or ramp-up period
- Capitalized interest increases overall debt / loan payments over the repayment life (it is not “free money”)

Escrow Fund

- Proceeds to fund the principal and interest costs of refunded debt to its redemption date
- Funded at closing
- Typically invested – permitted investments highly restricted (i.e., SLGS and US Treasuries)
- Escrow fund held by the Escrow Agent
- Typically net funded (interest earned during the escrow period helps pay principal and interest of refunded debt)

Debt Service Reserve Fund

- Funds debt service payments in an event of a payment default
- Provides additional security for investors
- Issuers with high-grade ratings have been able to forgo a debt service reserve fund for certain project types
- Debt service reserve fund requirement typically the lesser of:
  - Maximum annual debt service
  - 125% of average annual debt service
  - 10% of par amount
- If "cash funded", interest earnings on debt service reserve fund can help pay debt service
- Debt service reserve fund requirement may be met with a surety policy in certain situations

Costs of Issuance

- **Funds eligible issuance costs**
  - Financing team fees (bond counsel, disclosure counsel, municipal advisor)
  - Trustee / paying agent
  - Rating agency fees
  - Special tax consultant
  - Title insurance
  - State fees
  - Appraisal, feasibility study, engineer’s report
  - Verification Agent
  - Other costs associated with the issuance of obligations

Underwriter's Discount

- **Underwriter's discount is the compensation the underwriter receives**
  - Average takedown
  - Management fee
  - Expenses
- **Average takedown is a dollar per bond amount (par amount / $1,000)**
- **Underwriter's discount is typically funded with bond proceeds**

Par amount of issuance	$25,000,000
Takedown	$2.50 per bond
Total takedown	($25,000,000/$1,000) * $2.50 = $62,500

Credit Enhancement

- **Bond Insurance**
  - **Guarantees the payment of principal and interest to bondholders**
  - **Insured bonds are assigned the credit rating of the bond insurer**
    - Can be used with or without an underlying rating – with certain marketing considerations
  - **Benefits**
    - Can improve bond pricing and lessen the costs of borrowing
    - Higher ratings can often broaden the investor base
  - **Considerations**
    - Upfront insurance premium is paid upfront (typically with bond proceeds)
    - Potential continuing disclosure requirements if rating on bond insurer changes (confirm with disclosure counsel)

- **Surety Policies**
  - Surety policies through the bond insurer may be used to satisfy the Debt Service Reserve Requirement
  - A upfront premium is paid for the surety policy

Premium, Discount, and Par Bonds

- **Individual maturities can be sold as premium, discount or par bonds**

	Original Issue Discount (OID)	Par Bond	Original Issue Premium (OIP)
General Rule	Coupon<Yield Price<100	Coupon=Yield Price=100	Coupon>Yield Price>100

Maturity	Principal	Coupon	Yield	Price	
2026	$1,000,000	4.000%	2.590%	113.444%	Premium Bond
2027	$1,100,000	3.000%	3.000%	100.000%	Par Bond
2028	$1,200,000	3.000%	3.044%	99.500%	Discount Bond

- **Price x Principal == Amount Investor Pays and Amount the Municipality Receives**

Maturity	Principal	Price	Dollar Price
2026	$1,000,000	113.444%	$1,134,440
2027	$1,100,000	100.000%	$1,100,000
2028	$1,200,000	99.500%	$1,194,000

Bond Sizing Example

Sources:		
Bond Proceeds:		
	Par Amount	9,000,000.00
	Premium	887,784.50
		9,887,784.50
Uses:		
Project Fund Deposits:		
	Project Fund	9,000,000.00
Other Fund Deposits:		
	Capitalized Interest Fund	444,786.00
	Series A Debt Service Fund Deposit	223,998.50
		668,784.50
Delivery Date Expenses:		
	Cost of Issuance	165,000.00
	Underwriter's Discount	54,000.00
		219,000.00
		9,887,784.50

Serial and Term Bonds

- Serial Bonds
  - Principal repayment is made on the stated maturity date
  - Serial bonds are typically structured with maturity dates over regular intervals allowing an issuer to take advantage of different pricing levels across the yield curve
- Term Bonds
  - A bond which matures on a single date with sinking fund redemptions made prior to final maturity
  - Term bonds may be structured to increase the par amount of the maturity to attract additional investor interest

Maturity (7/1)	Par	Coupon	Yield	Type
2025	660,000	5.00%	2.30%	Serial Bond
2026	695,000	5.00%	2.34%	Serial Bond
2027	730,000	5.00%	2.38%	Serial Bond
2028	765,000	5.00%	2.42%	Serial Bond
2029	800,000	5.00%	2.46%	Serial Bond
2030	840,000	5.00%	2.50%	Serial Bond
2031	885,000	5.00%	2.55%	Serial Bond
2032	930,000	5.00%	2.61%	Serial Bond
2033	975,000	5.00%	2.62%	Serial Bond
2034	1,025,000	5.00%	2.64%	Serial Bond
2035	1,075,000	5.00%	2.67%	Serial Bond
2036	1,130,000	5.00%	2.72%	Serial Bond
2037	1,185,000	5.00%	2.75%	Serial Bond
2038	1,245,000	5.00%	2.80%	Serial Bond
2039	1,305,000	5.00%	2.86%	Serial Bond
2040	1,370,000	5.00%	2.97%	Serial Bond
2041	1,440,000	5.00%	3.07%	Serial Bond
2042	1,510,000	5.00%	3.13%	Serial Bond
2043	1,590,000	5.00%	3.20%	Serial Bond
2044	1,665,000	5.00%	3.27%	Serial Bond
2045	1,750,000	5.00%	3.48%	Sinking Fund
2046	1,840,000	5.00%	3.48%	Sinking Fund
2047	1,930,000	5.00%	3.48%	Sinking Fund
2048	2,025,000	5.00%	3.48%	Sinking Fund
2049	2,130,000	5.00%	3.48%	Term Bond Maturity
2050	2,235,000	5.00%	3.56%	Sinking Fund
2051	2,345,000	5.00%	3.56%	Sinking Fund
2052	2,465,000	5.00%	3.56%	Sinking Fund
2053	2,585,000	5.00%	3.56%	Sinking Fund
2054	2,715,000	5.00%	3.56%	Term Bond Maturity

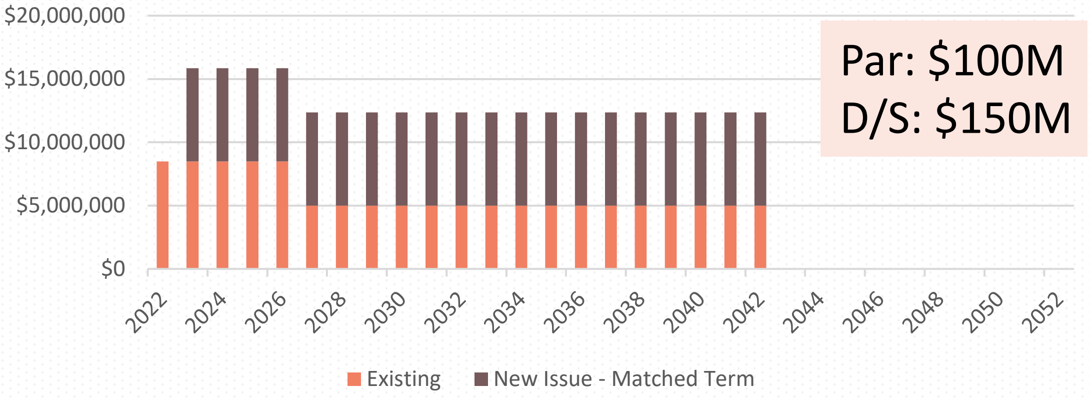
Redemption Features

- **Optional Redemption**
  - Call is exercised only at the option of the issuer, not the investor
  - Call typically exercised to achieve savings or restructure debt
  - Issuers typically issue Bonds with a 10-year call option
- **Mandatory Redemption**
  - Call must be exercised on specified date/during specified timeline
  - May be required by law
  - May be required by legal structure of transaction
- **Extraordinary Redemption**
  - Call exercised upon occurrence of certain events
  - May be optional
- **Redemption Prices for Call Vary**
  - Par
  - Premium
  - Make-Whole

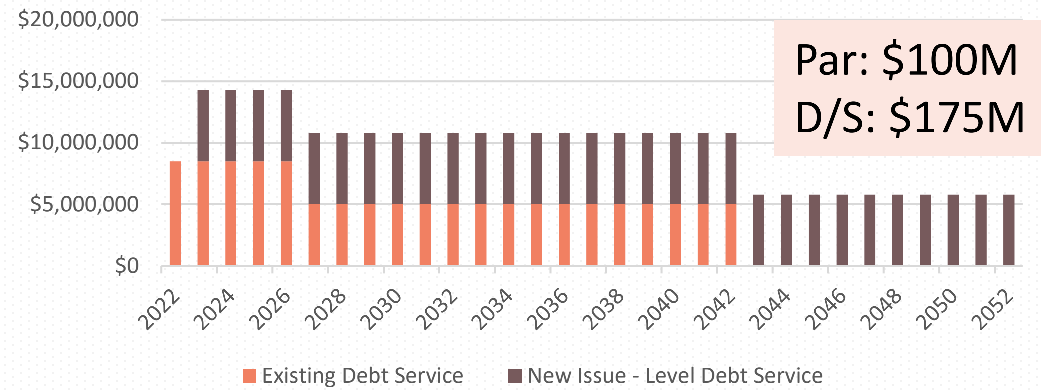
Debt Service Structures – New Money

- Debt structuring decisions are driven by a number of variables
  - Existing debt service shape and structure
  - Asset being financed
  - Anticipated revenue profile
  - Future debt issuance plans

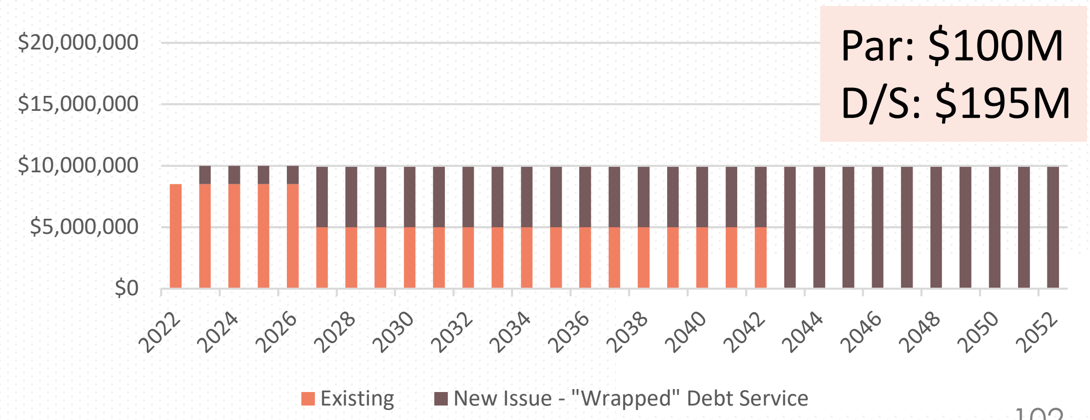
Matched Term Debt Service



Level Debt Service

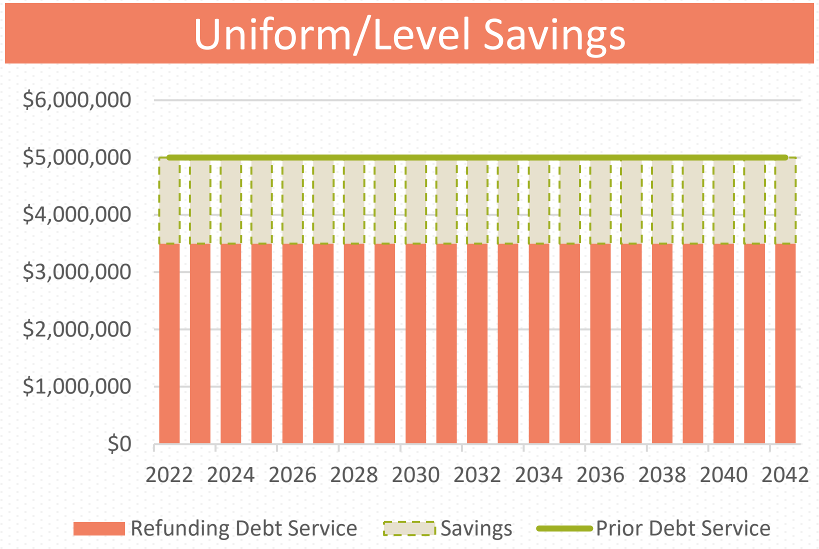


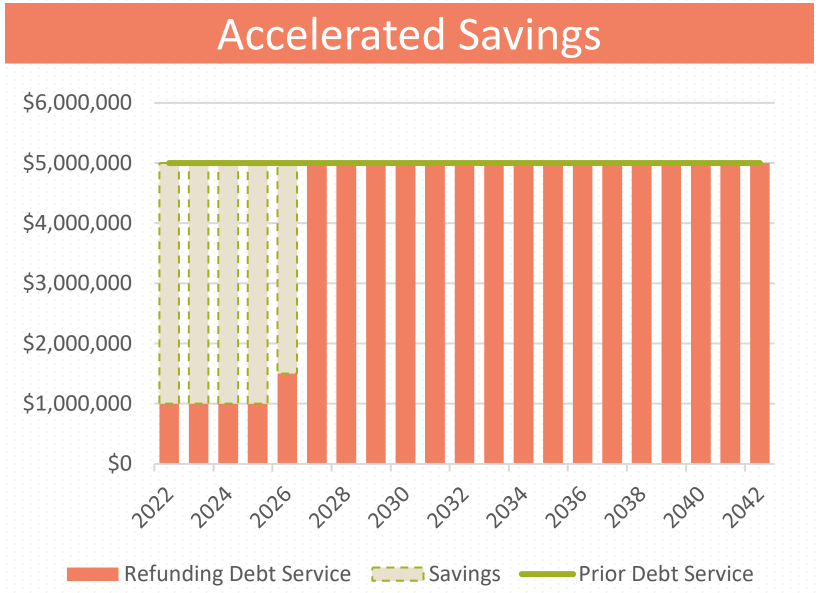
"Wrapped" Debt Service

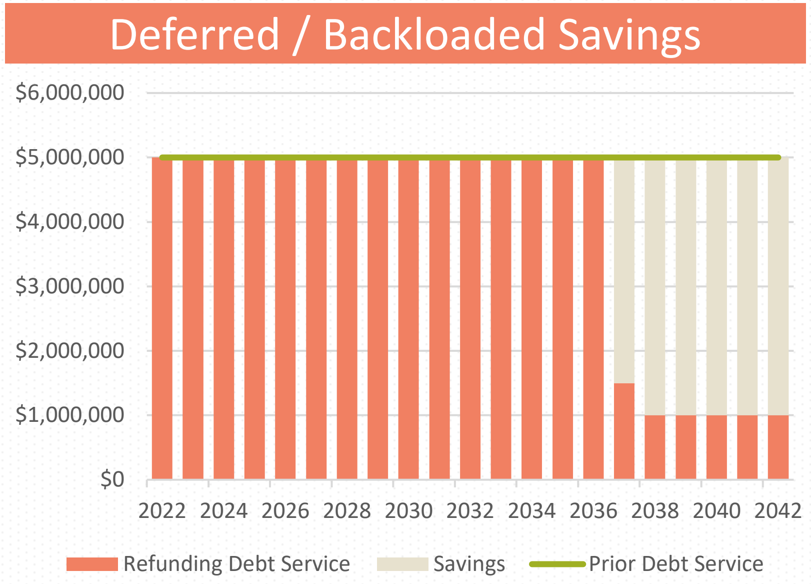


Debt Service Structures – Refundings

- Most common refundings are to refinance debt for interest rate savings
- Debt is also refunded for structuring and / or to eliminate restrictive covenants
- When refunding, one decision will be how to "shape" savings to the debt being refinanced



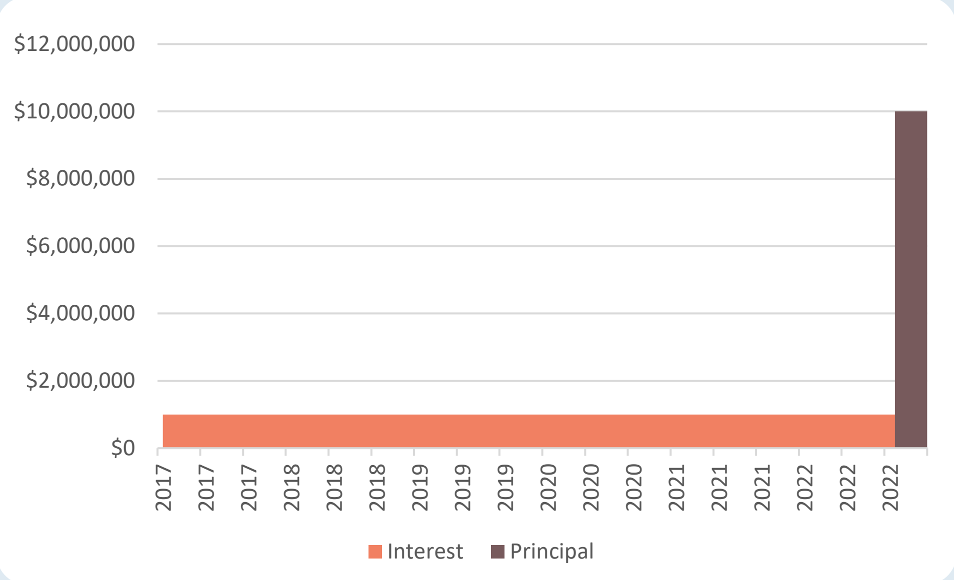




Fixed vs. Variable Rate Debt

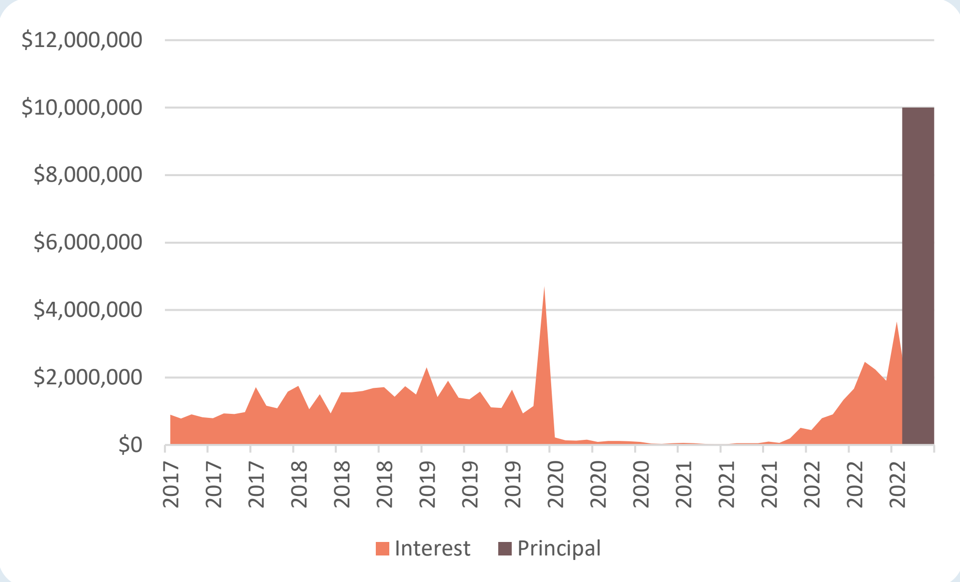
Fixed Rate Debt

- The rates (coupons) are set on the day of the pricing and do not change
- The issuer will pay scheduled interest (usually twice a year) for as long as the bonds are outstanding



Variable Rate Debt

- The rates are reset to different coupons at predetermined points throughout the year
- The issuer's interest payments will vary for the life of the bonds based on market conditions or changes in an index (typically SIFMA)



Considerations for Fixed vs. Variable Rate Debt

- What is the optimal mix between fixed and variable rate debt
- When should issuers consider variable rate debt vs. fixed rate debt?
- What are some of the benefits and considerations for fixed and variable rate debt?

Benefits of Fixed Rate Debt

- Allows for budgetary certainty and administration
- No ongoing credit support needed
- Legal documents are simpler

Considerations of Fixed Rate Debt

- Historically, higher interest rates than variable rate debt, on average
- Less flexible call feature than variable rate bonds

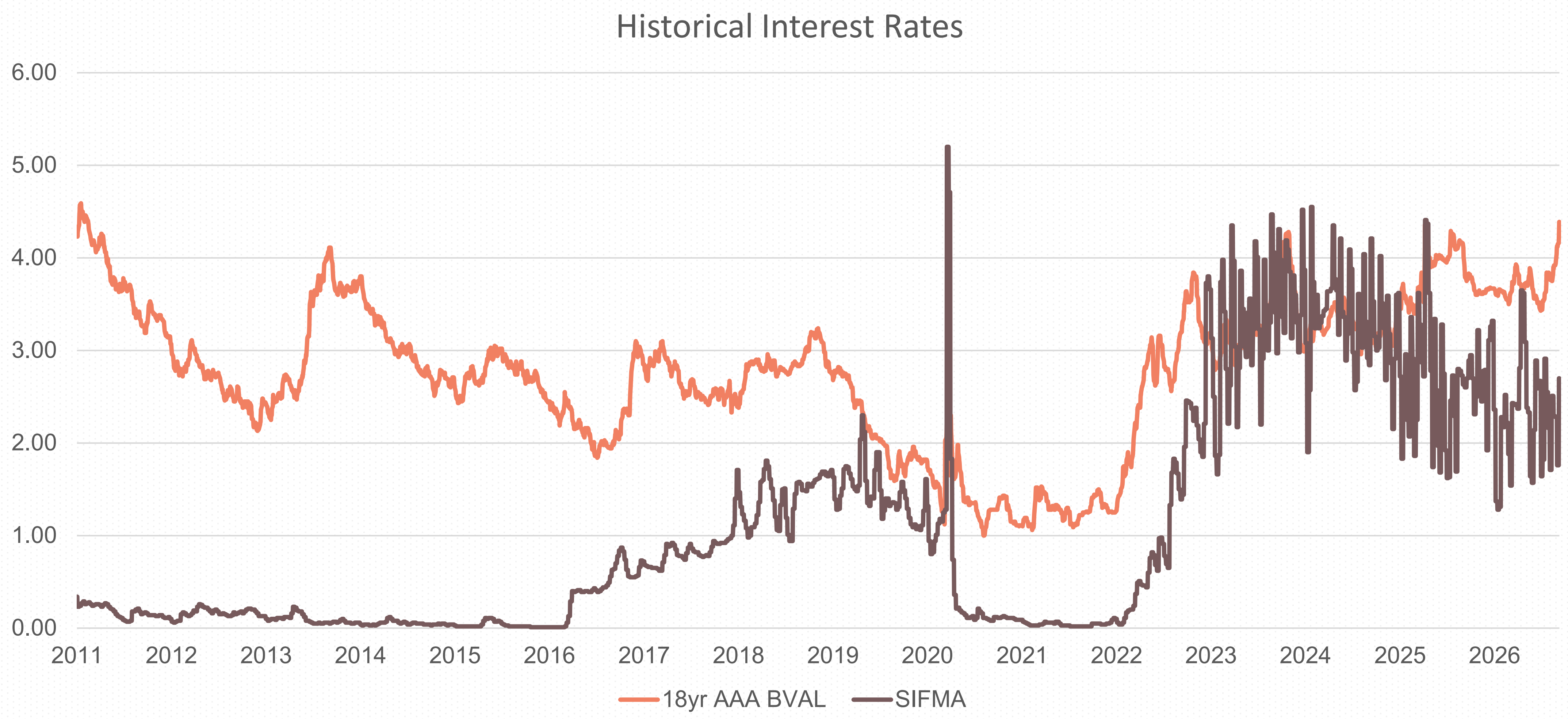
Benefits of Variable Rate Debt

- Creates a natural hedge between short-term assets and liabilities
- Often, more flexible prepayment provisions
- Used to diversify debt portfolio

Considerations of Variable Rate Debt

- Interest rate risk and bank credit risk
- Budgetary uncertainty
- Unpredictable pricing of support costs; typically new LOC/SBPA or mandatory tender required every 1-5 years
- Additional administrative involvement

Historical Interest Rates



Conclusions

- Every municipal entity is unique with their own considerations related to borrowing needs
- There are many different ways of borrowing, each of which may be beneficial in their own ways to a specific municipal entity or in a specific market
- It is important that each borrower carefully analyze what is best for them
- While the future is unpredictable, make borrowing decisions that take into account both near- and long-term considerations
- Debt is a long-term obligation and the decisions made today may govern certain financial decisions down the road
- Make sure you have a team of trusted advisors

QUESTIONS?

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SESSION THREE
Credit Ratings

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Moody's Ratings

KAREN RIBBLE
Senior Director
Fitch Ratings

What is a Rating Agency?

An organization that evaluates creditworthiness and assigns an opinion on the likelihood a bond will be repaid in full and on time

- Rating agencies as a business
- The cost and benefit of a rating

What is a Rating?

- An analysis as of a point in time
- An opinion, subject to change
- Not an endorsement, a guarantee, negotiable
- Rating criteria are not prescriptive
- Issuer rating vs. security rating
- Ratings are one of several factors that inform bond pricing
    - Interest rates, generally
    - Supply and demand
    - Investor judgment

Who are the Rating Agencies?

- **Moody's Ratings** (Moody's Investors Service's first bond rating in 1909)
- **S&P Global Ratings** (Poor's Publishing's first rating in 1916; Standard Statistics Company's first rating in 1922; merged to form Standard & Poor's in 1941)
- **Fitch Ratings** (Fitch Publishing Company's first ratings in 1924, recapitalized in 1989)
- **Kroll Bond Rating Agency** (2010, following the financial crisis)

"INVESTMENT GRADE" RATING SCALES	
Moody's	Fitch, Kroll and S&P
Aaa	AAA
Aa1	AA+
Aa2	AA
Aa3	AA-
A1	A+
A2	A
A3	A-
Baa1	BBB+
Baa2	BBB
Baa3	BBB-

SEE SLIDES BY SESSION FOR MOODY'S RATINGS SLIDES

SEE SLIDES BY SESSION FOR FITCH SLIDES

The Rating Meeting

- The official statement is the primary vehicle to communicate the credit story, not the presentation book
- When to have a rating meeting, and where to have it if you have one
- What analysts want to hear
  - Framing your story around key drivers
  - Highlight the sunny side, reveal what might not be obvious, own your negatives
- The craft of the presentation: consistency, framing, and the TMI problem
  - What issuers most often get wrong
- What carries into the committee room
  - The analyst as advocate

QUESTIONS?

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SESSION FOUR, PART 1

Market Dynamics & Pricing Concepts

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Director
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CDIAC

Overview

- Bond Pricing Basics
- Financing Team Dynamics
- Issuer Participation in Pricing Negotiations
- Week of Pricing
- Market Factors Affecting Bond Pricing
- Structural, Credit, and State/Industry Specific Factors Affecting Bond Pricing

BOND PRICING BASICS

Bond Pricing – Desk Speak Vocab

Bump	Lower yield, higher dollar price.	⟷	Cut	Higher yield, lower dollar price.
Cheap	Yields higher (dollar price lower) than reasonable for specific credit.	⟷	Rich	Opposite of cheap. Yields lower (dollar price higher) than reasonable for specific credit.
Rally	Decreasing yields in market.	⟷	Selling Off	Opposite of rally. Increasing yields in market.
Benchmark	A tool used by issuers, investors and other financial professionals to describe the market, and to compare performance.	⟷	Spreads	Delta between the benchmark and a specific bond yield. For example, quoted as spread to "AAA" BVAL index.
Tightening	Delta of spreads diminishing between the benchmark and credit categories	⟷	Widening	Opposite of tightening. Delta of spreads increasing between the benchmark and credit categories.
Over-Subscribed	Number of orders exceeds the bonds available for a certain maturity	⟷	Underwriting/ Inventory	Underwriter takes in unsold bonds

WHAT IS A BENCHMARK?

What is a Benchmark?

- A method of measuring the value of a section of the bond market
- A tool used by issuers, investors and other financial professionals to describe the market, and to compare the rate of return on specific securities
- A tool that allows performance to be compared relative to a point in the market, accounting for differences in couponing, call feature, and credit.
- A metric that should track the same spot in the market, so that performance can be measured across time and different market environments

Taxable Benchmarks

- **Taxable Municipal Bonds, and Corporate Bonds use US Treasuries as a Benchmark**

4) Actives | 5) Bills | 6) Notes | 7) TIPS | 8) Strips | 9) Sprds | 10) Curves | 11) FRN | 12) Bfly | 13) WI

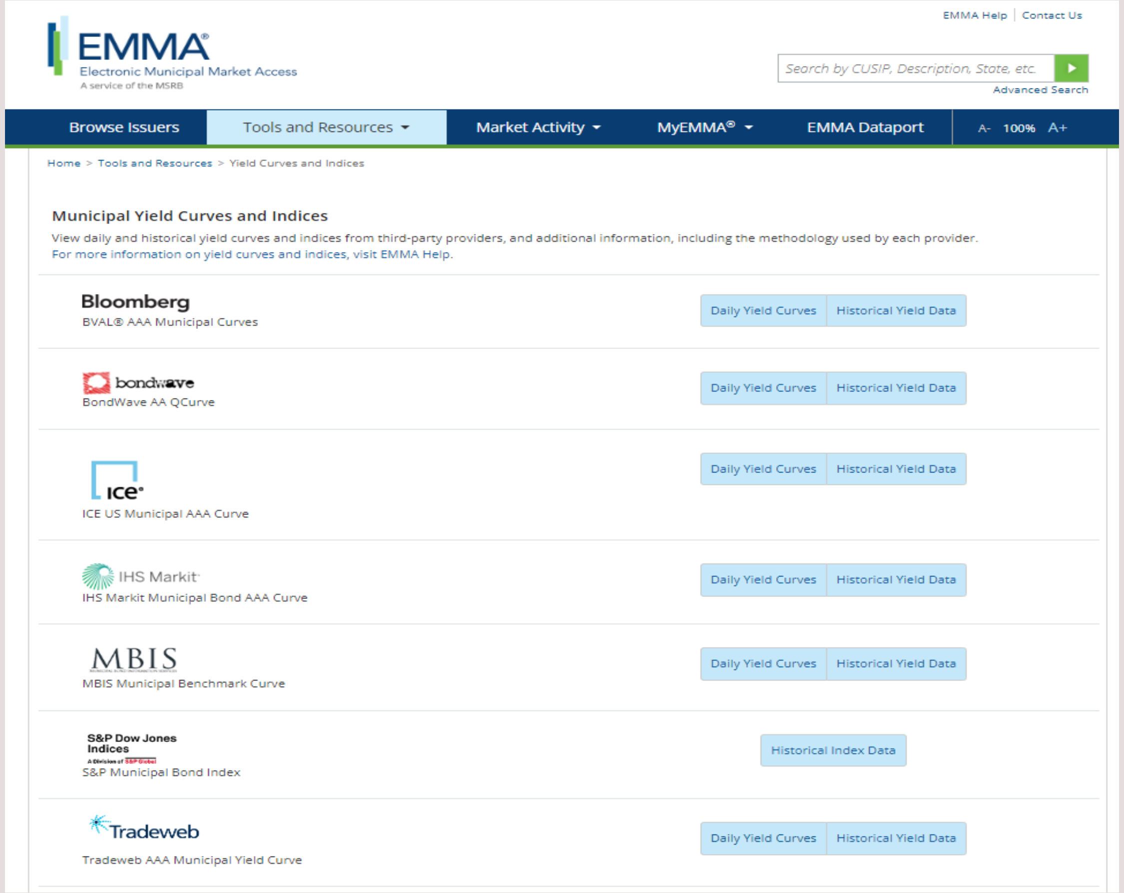
31) 09/01/26	3.623 / 3.610	3.683 / 3.670
32) 09/17/26	3.642 / 3.628	3.709 / 3.694
33) 09/29/26	3.683 / 3.670	3.755 / 3.742
34) 11/05/26	3.725 / 3.705	3.813 / 3.792
35) 12/01/26	3.771 / 3.760	3.871 / 3.860
36) 02/04/27	3.832 / 3.823	3.962 / 3.952
37) 08/05/27	3.875 / 3.859	4.048 / 4.031
Notes & Bonds		
38) 4 528	99-21 / 21+	4.195 / 4.186
39) 4⅛ 628	99-27¾ / 28⅛	4.197 / 4.190
40) 4¼ 728 2YR	100-03⅜ / 03+	4.194 / 4.192
41) 3⅞ 529	99-01¾ / 02¼	4.237 / 4.231
42) 4⅛ 629	99-21¾ / 22¼	4.243 / 4.238
43) 4⅛ 729 3YR	99-21+ / 21¾	4.244 / 4.241
44) 4⅛ 531	99-04¼ / 05	4.325 / 4.320
45) 4⅛ 631	99-03+ / 04¼	4.328 / 4.322
46) 4⅜ 731 5YR	100-06¾ / 07	4.327 / 4.326
47) 4¼ 633	98-24+ / 25¼	4.459 / 4.455
48) 4⅜ 733 7YR	99-15¼ / 15+	4.463 / 4.462
49) 4 N35	95-16 / 17	4.601 / 4.596
50) 4⅛ 236	96-09+ / 10	4.609 / 4.607
51) 4⅜ 536 10YR	98-03+ / 04+	4.617 / 4.613
52) 4⅝ 246	93-08 / 09	5.178 / 5.176
53) 5 546 20YR	97-27+ / 29	5.174 / 5.170

Notes & Bonds			
54) 4⅝ N55		91-17+ / 19	5.189 / 5.186
55) 4¾ 256		93-16 / 17	5.182 / 5.180
56) 5 556 30YR		97-09+ / 11+	5.179 / 5.174
TIPS			
57) 1¼ 431		96-04 / 96-05¼	2.122 / 2.113
58) 2⅜ 736		99-27¾ / 99-29+	2.390 / 2.384
59) 2⅜ 256		88-12+ / 88-16¼	2.968 / 2.962
Curve Trades			
60) 2yr vs 5yr		13.182 / 13.564	-1.392
61) 2yr vs 10yr		41.883 / 42.495	-1.524
62) 5yr vs 10yr		28.525 / 29.106	-0.132
63) 10yr vs 30yr		55.762 / 56.590	+0.988
Other Markets			
64) US Long(CBT)	16:58 d	110-01	+0-30
65) 10yr Fut (CBT)	16:58 d	108-29	+0-15+
66) 5Yr Fut(CBT)	16:58 d	106-17¼	+0-10
67) Dow Jones Ind	16:42	54085.879	+907.469
68) S&P 500 Ind	16:42 d	7736.520	+136.020
69) NYM WTI Crd	16:58 d	75.210	-5.130
70) Gold	17:00	4077.865	-0.120
71) Global Agg	08/03	499.100	+1.552
72) US Agg	08/03	2338.154	+5.563
73) US Treasury	08/03	2418.532	+4.070

Source: Bloomberg as of 8/4/2026

Tax-Exempt Benchmarks

- The Tax-Exempt Municipal Market does not have a tradeable benchmark such as US Treasuries, however there are several benchmarks publicly available on the MSRB Emma website.



Source: Emma.MSRB.Org as of 8/4/2026

Tax-Exempt Benchmarks (Continued)

- **The "MMD Curve" historically has been most widely used benchmark in the municipal market**
  - MMD Curve refers to the AAA-rated G.O. Curve
  - Municipal market's "risk-free" rate proxy
  - MMD represents the current market rate for various maturities, assuming a 5% coupon and a 10-year par call
  - MMD is produced by Refinitiv (TM3), an independent third-party market observer

- **The BVAL AAA Callable Curve offers an alternative benchmark that continues to gain interest from municipal market participants**
  - BVAL AAA Callable Curve refers to the AAA-rated G.O. Curve
  - Municipal market's "risk-free" rate proxy
  - BVAL AAA Callable Curve represents the current market rate for various maturities, assuming a 5% coupon and a 10-year par call
  - BVAL AAA Callable Curve is produced by Bloomberg, an independent third-party market observer

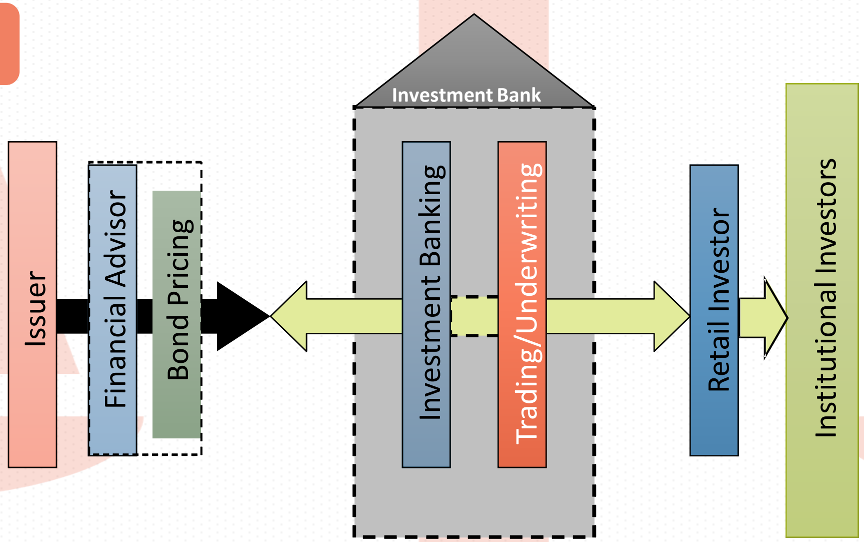
FINANCING TEAM DYNAMICS

Financing Team Dynamics

MSRB Rule G-17 excerpt: "The Underwriters have a duty to purchase the Bonds from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the Bonds to Investors at prices that are fair and reasonable."

Issuer Objectives

- ✓ High Price/Low Interest Rate
- ✓ High Optionality
  - Callable
  - Couponing
- ✓ Optimal Security Structure/High Issuer Flexibility (Benefit vs. Cost)
  - Pledge
  - Covenants
  - Reserves
  - Insurance



Investor Objectives

- ✓ Low Price/High Interest Rate
- ✓ Low Optionality
  - Non -Callable
  - Couponing
- ✓ Low Risk/Low Issuer Flexibility
  - Pledge
  - Covenants
  - Reserves
  - Insurance

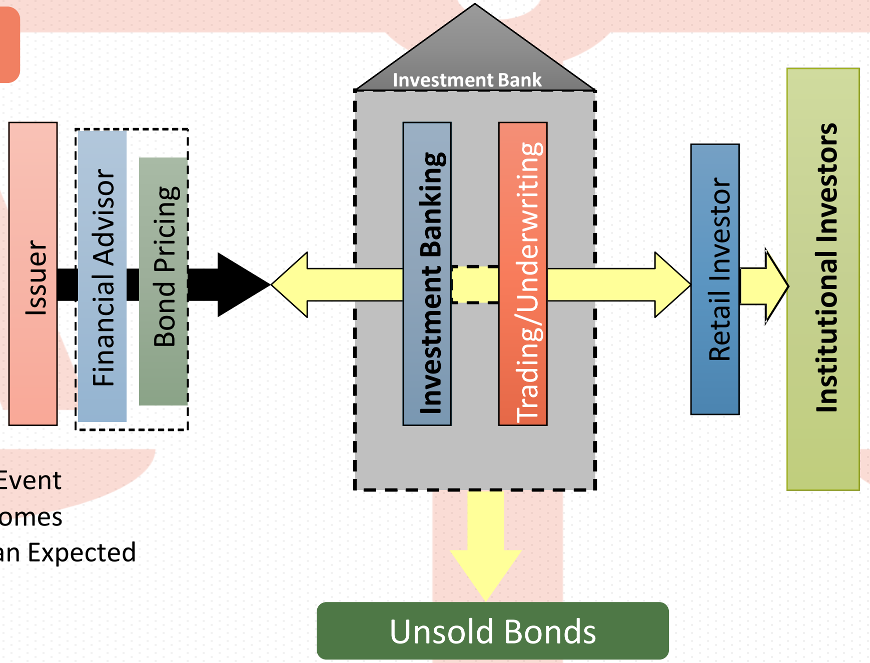
Source: Interpretive Notice Concerning the Application of MSRF Rule G-17; https://www.msrb.org

Navigating Risk In the Markets

Managing the duty to purchase and sell bonds at a fair and reasonable price is inherently more difficult when greater market risk is present.

Issuers

- ✓ Need to Sell Bonds
- ✓ Rallying Market
  - Issuer's Market
  - More Leverage
- ✓ Selling off Market
  - Low Demand for Bonds
  - Less Leverage
- ✓ Risks
  - Fundamental, Technical, Event
  - Positive or Negative Outcomes
  - Different Yields/Prices than Expected



Investors

- ✓ Need to Buy Bonds
- ✓ Rallying Market
  - High Demand for Bonds
  - Less Leverage
- ✓ Selling off Market
  - Buyer's Market
  - More Leverage
- ✓ Risks
  - Fundamental, Technical, Event
  - Positive or Negative Outcomes
  - Gain/Loss on Bonds Purchased

- **Bonds may be put into underwriter's inventory if an appropriate price is not readily available/determinable**
- **At this point, the Underwriter becomes the initial buyer and is subject to investor risks**
- **Underwriter's appetite and ability to purchase the bonds into inventory depends on the type of market and risks present.**
- **Adjustments to initial price/yields may be needed in order to protect against various risks, for example:**
  - **Interest Rate Risk that may affect the ability to sell bonds at the price put into inventory**
  - **Inventory levels: unsold par underwritten at acceptable total both within the current transaction and across transactions**

ISSUER PARTICIPATION IN NEGOTIATED TRANSACTIONS

Issuer Perspective: Pricing Takeaways

- Know Your Objectives
- Financing Team Selection
- Bond Sale Timing: Control what you can control
- Get Educated: Understand the team dynamic and factors
- Voice Your Opinion

Critical Steps for Success

- **An integrated, sequenced financing approach designed to achieve successful pricing results and deliver the lowest cost of borrowing**

Step 1
Credit Strategy

Step 2
Bond Structure

Step 3
Disclosure

Step 4
Marketing & Execution

WEEK OF PRICING OVERVIEW

Market Timing Considerations

- **Supply Conditions:** Elevated issuance (+4.3% YoY; ~$580–600B expected in 2026) reinforces the importance of monitoring the State calendar and positioning ahead of large, high-profile deals.
- **Macro Events:** Be mindful of Federal Reserve meetings and key economic data releases that can drive volatility.
- **Timing:** Early week or early month pricing can be advantageous, especially during heavy supply, as SMAs often have the most cash to deploy.
- **Market Tone & Volatility:** Assess real-time demand, fund flows, and secondary market conditions to optimize entry timing; In current market, headline risks are driving volatility.
- **<u>Stay Nimble</u>:** Maintain a flexible pricing window within the District's timeline so we can accelerate or pause to capture the most favorable demand backdrop.

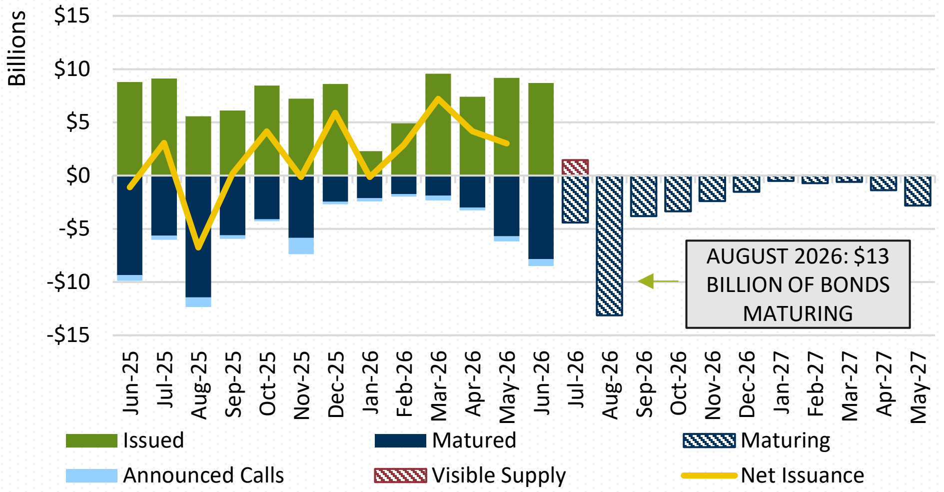
Key Fed /Economic Events & Resulting 10-Year UST Movements

August 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
26	27	28	29 (5)	30	31	1
2	3 (3)	4	5	6 (3)	7 (5)	8
9	10	11	12 (7) *Tentative POS posting*	13	14	15
16	17	18	19 *Pricing Window*	20	21	22
23	24	25 *Pricing Window*	26 (4) (4)	27	28	29
30	31	1	2	3	4	5

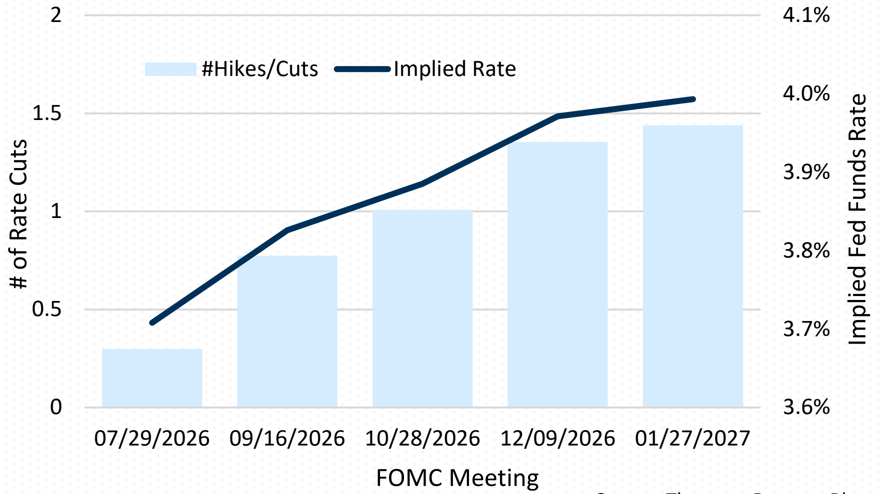
+/-5	FOMC Meetings
+/-7	CPI
+/-5	Employment
+/-4	PCE
+/-4	GDP
+/-3	Manufacturing & Productivity

California Municipal Bond Net Issuance
Monthly bond issuance vs. bond redemptions/maturing



Source: Bloomberg

Investor Expectations for Rate Cuts



Source: Thomson Reuters, Bloomberg

Day Before Pricing

Financial Advisor's Independent scale

- FA presents to the client a technical pricing analysis that includes an independent target scale

Underwriter's Market Update

- Underwriter provides market updates, comparative bond sales, and their proposed scale

Pre-Marketing Period

- Issuer and FA negotiate scale Pre-Marketing scale with underwriter
- Issuer signs off on pre-marketing scale for underwriter to talk to investors about specific levels

Day of Pricing

Pre-Pricing Period

- Early morning (typically 6am-7am) call to review scale
- FA and UW take the tone of the market
- Issuer signs off on any agreed upon changes

Order Period

- Underwriter takes orders from investors
- Financing team monitors market conditions

Post-Order Period

- Issuer & FA look to negotiate lower yields where possible
- Issuer, FA, and underwriter decide on final adjusted yields as needed
- Issuer signs Bond Purchase Agreement

Retail Order Period

What is a Retail Order Period?

- An order period designated and open to orders only "Retail" investor accounts
- Typically occurs 1 day prior to Institutional Order Period

What is a Retail Account?

- Individuals – True "Mom and Pop" retail
- Professional Retail - Separately Managed Accounts (SMA's)

When Can a Retail Order Period Make Sense?

- State with a strong retail presence with the ability to drive price
- Larger transaction
- Retail friendly structure
- Retail friendly credit

Considerations During a Retail Order Period?

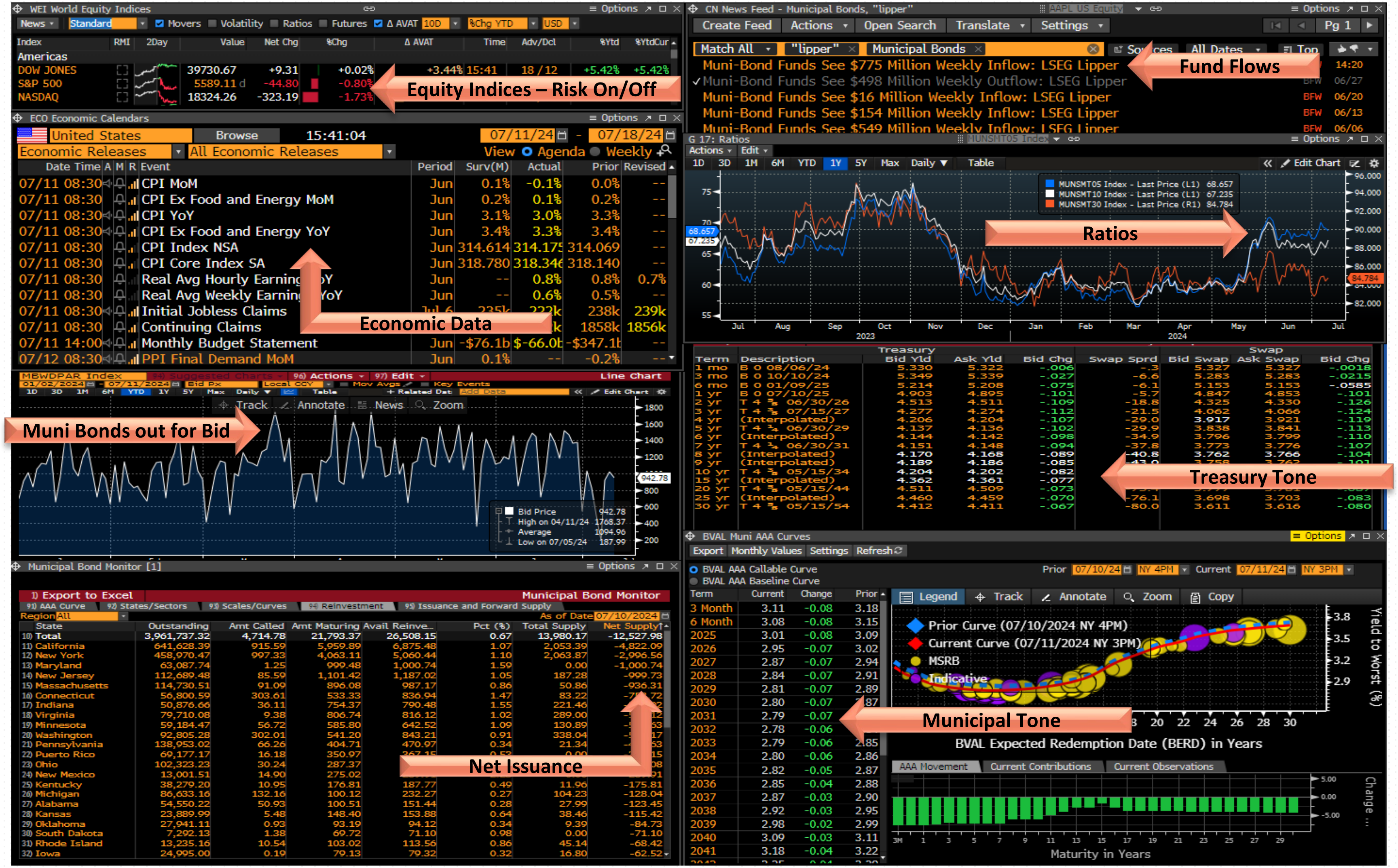
- Ensure Bonds are available for Institutional Investors (50% Rule and/or hold back maturities)
- Maintain flexibility to accelerate transaction
- Strong Reception can help drive Institutional Pricing; Weak Reception can detract

Alternatives to a Specific Retail Order Period?

- During the normal Institutional Order Period:
  - Give "Individual" Retail First Priority
  - Maintain equal priority for Professional Retail and Institutional Accounts

MARKET FACTORS AFFECTING BOND PRICING

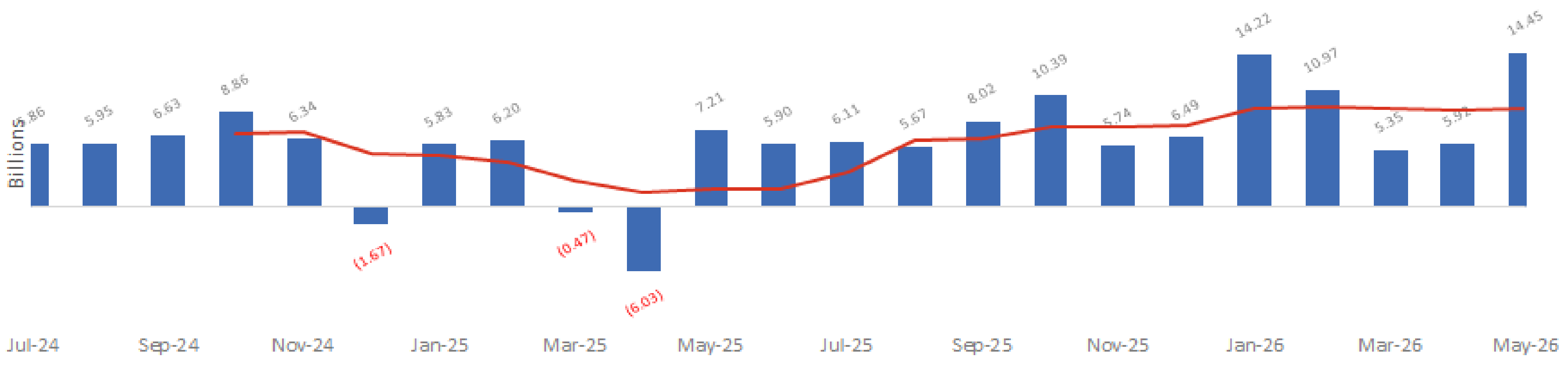
Day of Pricing Market Dynamics

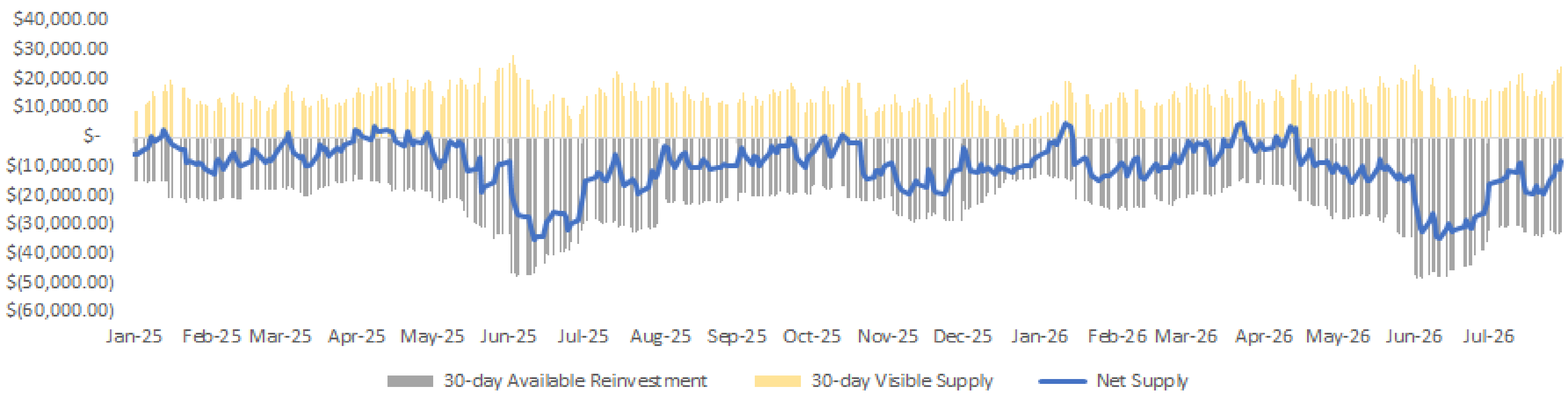


Source: Bloomberg as of 7/11/2024

Municipal Fund Flows and Net Supply

- **Supply and Demand Dynamics can heavily affect credit spreads**





Source: Bloomberg as of 8/4/2026

Supply Calendar

Week of 08/03/2026 Supply Calendar											
Par ($000s	Issuer	Stat	Sector	Security Type	Ratings (M/S/F)	Sale Type	Tax Statu	Type	Structure	# Maturiti	Lead Manager
1,500,000	City of New York	NY	General Obligation	No	-/-/-	Negotiated	T-E	Bond	2028 to 2052	23	RBC
1,320,085	Henry Ford Health System	MI	Hospital	No	A2/-/A+	Negotiated	T-E	Bond	2027 to 2056	20	J.P. Morgan
1,109,825	Colorado Health Facilities Authority	CO	Health Care - Other	Yes	Aa1/AA+/-	Negotiated	T-E	Bond	2030 to 2046	8	RBC
793,490	Black Belt Energy Gas	AL	Gas	No	A2/-/-	Negotiated	T-E	Bond	2033 to 2033	1	Goldman Sachs
663,010	City of Austin	TX	Civic & Convention Centers	No	Var/Var/-	Negotiated	T-E	Bond	2029 to 2061	21	BofA
613,720	New Jersey Economic Development Authority	NJ	Health Care - Other	Yes	-/-/-	Negotiated	T-E	Bond	2031 to 2057	4	KeyBanc
514,525	CPS Energy	TX	Electric & Public Power	No	Aa3/A+/AA-	Negotiated	T-E	Put	2056 to 6(p)	1	J.P. Morgan
482,565	City of San Antonio Electric and Gas Systems	TX	Gas	No	Aa2/AA-/AA-	Negotiated	T-E	Bond	2027 to 2062	22	J.P. Morgan
447,100	Lower Colorado River Authority	TX	lectric & Public Power, Power - Othe	No	A1/A+/A+	Negotiated	T-E	Bond	2028 to 2056	23	Wells Fargo
428,145	Oklahoma Water Resources Board	OK	Water	No	-/AAA/AAA	Negotiated	T-E	Bond	2027 to 2056	18	BOK Financial
408,780	City and County of San Francisco	CA	Combined Utilities	No	Aa2/AA/-	Negotiated	T-E	Bond	2026 to 2042	17	J.P. Morgan
406,270	Public Utilities Commission of the City and County of San Fran	CA	Combined Utilities	No	Aa2/AA/-	Negotiated	Tax	Bond	2031 to 2031	1	Morgan Stanley
357,120	Tampa Bay Water Authority	FL	Water	No	Aa1/AA/-	Negotiated	T-E	Bond	2032 to 2055	16	J.P. Morgan
349,915	South Carolina Public Service Authority	SC	Combined Utilities	No	A3/A/A	Negotiated	T-E	Bond	2026 to 2041	16	Barclays
299,175	Town of Oyster Bay	NY	Gen Purpose/Pub Impt	No	-/-/-	Competitive	T-E	Note	2027 to 2027	1	-
298,500	Texas Public Finance Authority	TX	Gen Purpose/Pub Impt	No	-/AAA/AAA	Negotiated	Tax	Bond	2026 to 2045	17	Morgan Stanley
295,325	Virginia Polytechnic Institute and State University	VA	Higher Education	No	Aa1/AA+/-	Negotiated	T-E	Bond	2027 to 2056	22	Morgan Stanley
288,305	Polk County School Board	FL	Schools	No	A1/-/-	Negotiated	T-E	Bond	2027 to 2043	17	Raymond James
285,155	Richardson Independent School District	TX	Schools	No	Aaa (Aaa)/AAA (AA+)/	Negotiated	T-E	Bond	2027 to 2051	25	Piper Sandler
256,285	Los Angeles County Public Works Financing Authority	CA	Miscellaneous	No	-/AA+/AA+	Negotiated	T-E	Bond	2026 to 2045	20	BofA
253,705	University of Cincinnati	OH	Universities	No	Aa3/AA-/-	Negotiated	T-E	Bond	2027 to 2056	22	J.P. Morgan
252,855	Port of Seattle	WA	Seaports/Marine Terminals	No	Var/Var/Var	Negotiated	T-E	Bond	2027 to 2040	14	Siebert Williams
227,940	Eastern Municipal Water District	CA	Combined Utilities	No	-/AAA/AAA	Negotiated	T-E	Bond	2027 to 2042	16	J.P. Morgan
218,750	South Carolina Public Service Authority	SC	Combined Utilities	No	A3/A/A	Negotiated	Tax	Bond	2026 to 2034	9	Barclays
217,090	Leander Independent School District	TX	Schools	No	-/AA/AA+	Negotiated	T-E	Bond	2027 to 2056	30	J.P. Morgan
215,000	Maryland Community Development Administration	MD	Housing - Other	Yes	Aa1/-/AA+	Negotiated	Tax	Bond	2027 to 2056	16	BofA
196,670	James City County Economic Development Authority	VA	Gen Purpose/Pub Impt	No	Aa1*/AA+*/AA+*	Competitive	T-E	Bond	2027 to 2046	20	-
164,375	Celina Independent School District	TX	Schools	No	Aaa (Aa3)/AAA (AA-)/	Negotiated	T-E	Bond	2029 to 2056	24	Stephens
150,000	Los Angeles Department of Water & Power	CA	Water/Sewer/Gas	No	Aa3*/-/AA-*	Competitive	T-E	Bond	2041 to 2046	6	-

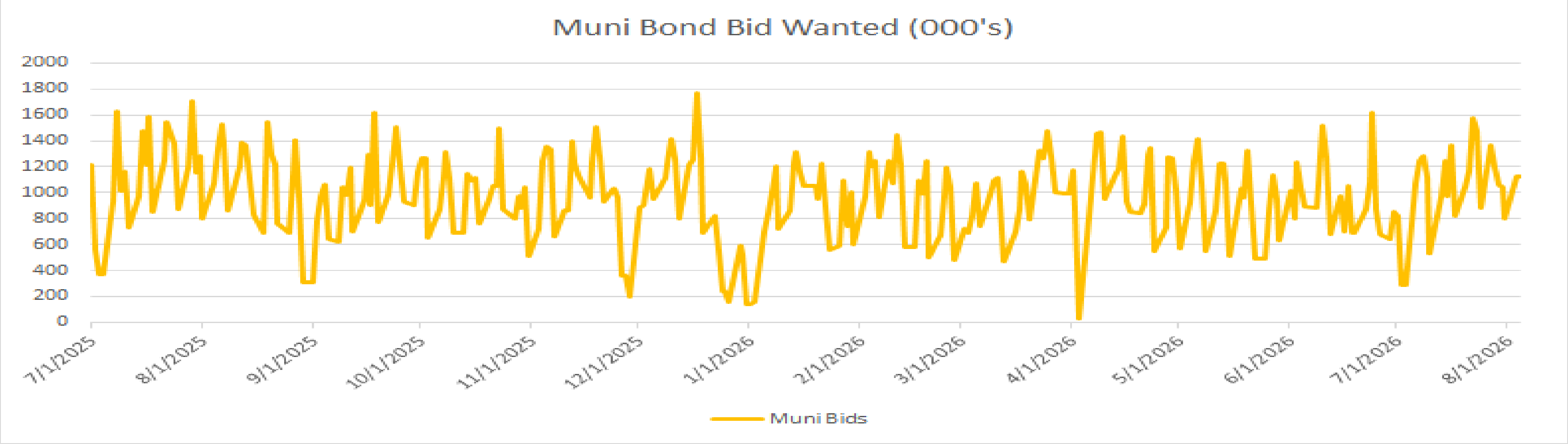
Week of 08/03/2026 California Supply Calendar											
Par ($000s)	Issuer	State	Sector	Security Type	Ratings (M/S/F)	Sale Type	Tax Status	Type	Structure	# Maturities	Lead Manager
408,780	City and County of San Francisco	CA	Combined Utilities	No	Aa2/AA/-	Negotiated	T-E	Bond	2026 to 2042	17	J.P. Morgan
406,270	Public Utilities Commission of the City and County of San Fran	CA	Combined Utilities	No	Aa2/AA/-	Negotiated	Tax	Bond	2031 to 2031	1	Morgan Stanley
256,285	Los Angeles County Public Works Financing Authority	CA	Miscellaneous	No	-/AA+/AA+	Negotiated	T-E	Bond	2026 to 2045	20	BofA
227,940	Eastern Municipal Water District	CA	Combined Utilities	No	-/AAA/AAA	Negotiated	T-E	Bond	2027 to 2042	16	J.P. Morgan
150,000	Los Angeles Department of Water & Power	CA	Water/Sewer/Gas	No	Aa3*/-/AA-*	Competitive	T-E	Bond	2041 to 2046	6	-
125,000	Los Angeles Department of Water & Power	CA	Water/Sewer/Gas	No	Aa3*/-/AA-*	Competitive	T-E	Bond	2031 to 2035	5	-
125,000	Los Angeles Department of Water & Power	CA	Water/Sewer/Gas	No	Aa3*/-/AA-*	Competitive	T-E	Bond	2048 to 2056	5	-
89,770	Grossmont Union High School District	CA	Schools	No	Aa2/-/AAA	Negotiated	T-E	Bond	2027 to 2042	16	Raymond James
83,860	Modesto Irrigation District	CA	Combined Utilities	No	-/A+/AA-	Negotiated	T-E	Bond	2027 to 2040	14	Goldman Sachs
83,640	Irvine Ranch Water District	CA	Water	No	-/AAA/AAA	Negotiated	T-E	Bond	2027 to 2046	20	Goldman Sachs

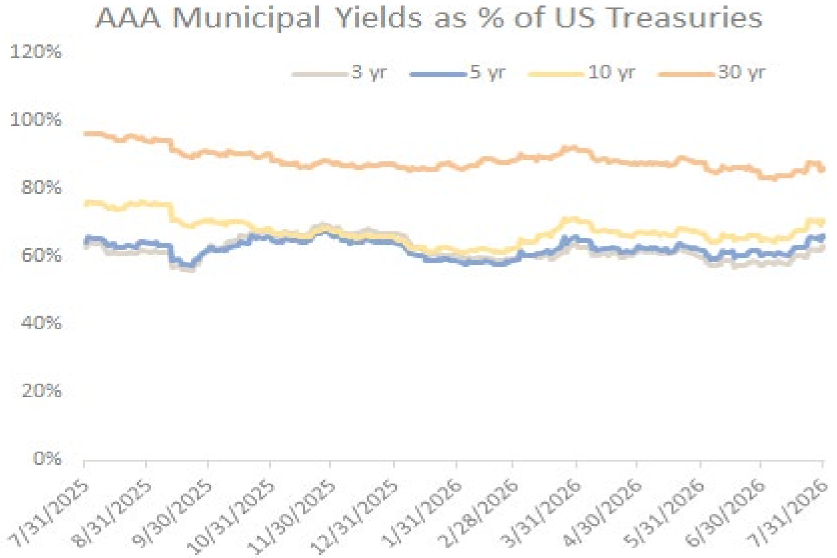
Source: S&P Global as of 8/3/2026

- **Total Primary Market Supply on a given week can affect Investor demand**
- **State and Industry supply are also factors**

Bonds out for Bid and Municipal/ Treasury Ratios

- Secondary Market Supply during times of heavy selling can pressure primary issuance
- The Relative Value of Tax-Exempt Bonds compared to their Taxable Counterparts is a consistent driver of demand





Treasury Ratio (Cheap/Rich) Past 12 Months				
	30 yr	10 yr	5 yr	3 yr
Current	85.9%	70.5%	65.9%	62.7%
High	96.4%	76.1%	67.6%	69.7%
Average	88.6%	67.6%	62.4%	62.0%
Low	82.5%	61.2%	57.4%	56.0%

Treasury Ratio (Cheap/Rich) Past 5 Years				
	30 yr	10 yr	5 yr	3 yr
Current	85.9%	70.5%	65.9%	62.7%
High	110.6%	104.3%	94.4%	90.0%
Average	89.7%	71.2%	65.3%	62.9%
Low	74.9%	56.8%	45.0%	32.8%

Source: Bloomberg & treasury.gov 8/4/2026

Economic Calendar

SEPTEMBER ECONOMIC CALENDAR				
MON	TUES	WED	THU	FRI
Aug 31	Sep 1	Sep 2	Sep 3	Sep 4
10:30 AM Dallas Fed Manf. Activity	9:45 AM S&P Global US Manufacturing PMI 10:00 AM ISM Indicators 10:00 AM Construction Spending 10:00 AM JOLTS Job Openings 10:00 AM JOLTS Quits Level 10:00 AM JOLTS Quits Rate 10:00 AM JOLTS Layoffs Level 10:00 AM JOLTS Layoffs Rate 10:30 AM Dallas Fed Services Activity 10:30 AM Omdia Total Vehicle Sales	7:00 AM MBA Mortgage Applications 8:15 AM ADP Employment Change 10:00 AM Factory Orders 10:00 AM Durable Goods 10:00 AM Capital Goods 2:00 PM Fed Releases Beige Book	5:30 AM Challenger Job Cuts YoY 5:30 AM Challenger Job Cuts Total 8:30 AM Trade Balance 8:30 AM Imports MoM 8:30 AM Exports MoM 8:30 AM Nonfarm Productivity 8:30 AM Unit Labor Costs 8:30 AM Initial Jobless Claims 10:00 AM ISM Indicators 8:30 AM Continuing Claims 9:45 AM S&P Global US Services PMI 9:45 AM S&P Global US Composite PMI	8:30 AM Payrolls 8:30 AM Nonfarm Payrolls 3-Mo Avg Chg 8:30 AM Avg Hourly Earnings 8:30 AM Avg Weekly Hours All Employees 8:30 AM Unemployment Rate 8:30 AM Labor Force Participation Rate 8:30 AM Underemployment Rate
Sep 7	Sep 8	Sep 9	Sep 10	Sep 11
12:00 AM **Labor Day**	6:00 AM NFIB Small Business Optimism 11:00 AM NY Fed 1-Yr Inflation Expectations 3:00 PM Consumer Credit	7:00 AM MBA Mortgage Applications 8:15 AM ADP Weekly Employment Change	8:30 AM Initial Jobless Claims 8:30 AM Initial Claims 4-Wk Moving Avg 8:30 AM Continuing Claims 8:30 AM Producer Price Index 10:00 AM Existing Home Sales 10:00 AM Wholesale Inventories MoM 10:00 AM Wholesale Trade Sales MoM	8:30 AM Consumer Price Index 8:30 AM Core CPI MoM 8:30 AM Core CPI YoY 8:30 AM Core CPI Index SA 8:30 AM Real Avg Earnings 10:00 AM Michigan Sentiment 12:00 PM Household Change in Net Worth 2:00 PM Federal Budget Balance
Sep 14	Sep 15	Sep 16	Sep 17	Sep 18
	8:15 AM ADP Weekly Employment Change 8:30 AM Empire Manufacturing	7:00 AM MBA Mortgage Applications 8:30 AM New York Fed Services Business Activity 8:30 AM Import Index 8:30 AM Retail Sales 8:30 AM Export Index 10:00 AM NAHB Housing Market Index 10:00 AM Business Inventories 2:00 PM FOMC Rate Decision	8:30 AM Philly Fed Busi. Outlook 8:30 AM Initial Jobless Claims 8:30 AM Initial Claims 4-Wk Moving Avg 8:30 AM Continuing Claims 8:30 AM Housing Starts 8:30 AM Building Permits 10:00 AM Pending Home Sales	9:15 AM Industrial Production 9:15 AM Manufacturing Production MoM 9:15 AM Capacity Utilization 10:00 AM Leading Index
Sep 21	Sep 22	Sep 23	Sep 24	Sep 25
8:30 AM Chicago Fed Nat Activity Index	8:15 AM ADP Weekly Employment Change 8:30 AM Philadelphia Fed Non-Manufacturing 10:00 AM Richmond Fed Manufact. Index 10:00 AM Richmond Fed Business Conditions	7:00 AM MBA Mortgage Applications 9:45 AM S&P Global US Manufacturing PMI 9:45 AM S&P Global US Services PMI 9:45 AM S&P Global US Composite PMI	8:30 AM Current Account Balance 8:30 AM Initial Jobless Claims 8:30 AM Initial Claims 4-Wk Moving Avg 8:30 AM Continuing Claims 10:00 AM New Home Sales 11:00 AM Kansas City Fed Manf. Activity 11:00 AM Building Permits	8:30 AM Durable Goods 8:30 AM Capital Goods 10:00 AM Michigan Sentiment 11:00 AM Kansas City Fed Services Activity
Sep 28	Sep 29	Sep 30	Oct 1	Oct 2
10:30 AM Dallas Fed Manf. Activity	9:00 AM FHFA House Price Index 9:00 AM S&P Cotality CS 20-City MoM SA 9:00 AM S&P Cotality CS 20-City YoY NSA 9:00 AM S&P Cotality CS US HPI YoY NSA 10:00 AM GDP Indicators 10:00 AM JOLTS Job Openings 10:00 AM JOLTS Job Openings Rate	7:00 AM MBA Mortgage Applications 8:15 AM ADP Employment Change 8:30 AM PCE Price Index MoM 8:30 AM PCE Price Index YoY 8:30 AM Retail Sales 8:30 AM Core PCE Price Index MoM 8:30 AM GDP Indicators	5:30 AM Challenger Job Cuts YoY 5:30 AM Challenger Job Cuts Total 8:30 AM Initial Jobless Claims 8:30 AM Initial Claims 4-Wk Moving Avg 8:30 AM Continuing Claims 9:45 AM S&P Global US Manufacturing PMI 10:00 AM ISM Indicators	8:30 AM Payrolls 8:30 AM Nonfarm Payrolls 3-Mo Avg Chg 8:30 AM Avg Hourly Earnings 8:30 AM Avg Weekly Hours All Employees 8:30 AM Unemployment Rate 8:30 AM Labor Force Participation Rate 8:30 AM Underemployment Rate

Source: Bloomberg as of 8/5/2026

- **Economic Data can move Bond Market Yields**
- **Certain Economic Events can cause greater volatility (Positive or Negative)**

Treasury and Equity Tone

Index	RMI	2Day	Value	Net Chg	%Chg	Δ AVAT	Time	Adv/Dcl	%Ytd	%YtdCur
1) Americas										
11) DOW JONES			54085.88	+907.47	+1.71%	+9.70%	16:20 c	25 / 5	+12.53%	+12.53%
12) S&P 500			7736.52 d	+136.02	+1.79%	+13.49%	16:09 c	360 / 140	+13.02%	+13.02%
13) NASDAQ			26584.99	+671.09	+2.59%	+13.57%	16:24 c	2296 / 909	+14.38%	+14.38%

		Treasury					Swap			
Term	Description	Bid Yld	Mid Yld	Ask Yld	Bid Chg	Bid Swap Sprd	Bid Swap	Mid Swap	Ask Swap	Bid Chg
1) 1 mo	B 09/01/26	3.681	3.677	3.672	-0.011	-3.4	3.648	3.650	3.652	-0.003
2) 3 mo	B 11/05/26	3.809	3.800	3.792	-0.018	-6.1	3.748	3.750	3.751	-0.011
3) 6 mo	B 02/04/27	3.961	3.957	3.953	-0.030	-8.7	3.874	3.876	3.879	-0.019
4) 1 yr	B 07/08/27	3.996	3.992	3.988	-0.045	2.9	4.025	4.027	4.029	-0.034
5) 2 yr	T 4 1/4 07/31/28	4.194	4.193	4.192	-0.046	-14.6	4.048	4.049	4.051	-0.048
6) 3 yr	T 4 1/8 07/15/29	4.241	4.240	4.238	-0.057	-20.8	4.033	4.035	4.036	-0.056
7) 4 yr	(Interpolated)	4.284	4.283	4.282	-0.061	-25.2	4.032	4.033	4.034	-0.060
8) 5 yr	T 4 3/8 07/31/31	4.324	4.323	4.322	-0.065	-27.9	4.045	4.046	4.047	-0.063
9) 6 yr	(Interpolated)	4.393	4.392	4.391	-0.067	-32.3	4.070	4.072	4.073	-0.064
10) 7 yr	T 4 3/8 07/31/33	4.460	4.460	4.459	-0.069	-35.9	4.101	4.103	4.104	-0.064
11) 8 yr	(Interpolated)	4.515	4.515	4.514	-0.068	-38.1	4.134	4.135	4.137	-0.064
12) 9 yr	(Interpolated)	4.570	4.569	4.568	-0.067	-40.1	4.169	4.170	4.171	-0.064
13) 10 yr	T 4 3/8 05/15/36	4.613	4.612	4.611	-0.067	-40.7	4.205	4.206	4.208	-0.063
14) 15 yr	(Interpolated)	4.901	4.900	4.899	-0.068	-52.8	4.374	4.375	4.377	-0.063
15) 20 yr	T 5 05/15/46	5.166	5.165	5.163	-0.069	-71.1	4.455	4.456	4.458	-0.061
16) 25 yr	(Interpolated)	5.169	5.167	5.166	-0.064	-71.1	4.457	4.459	4.460	-0.059
17) 30 yr	T 5 05/15/56	5.171	5.170	5.169	-0.059	-74.9	4.422	4.424	4.425	-0.058

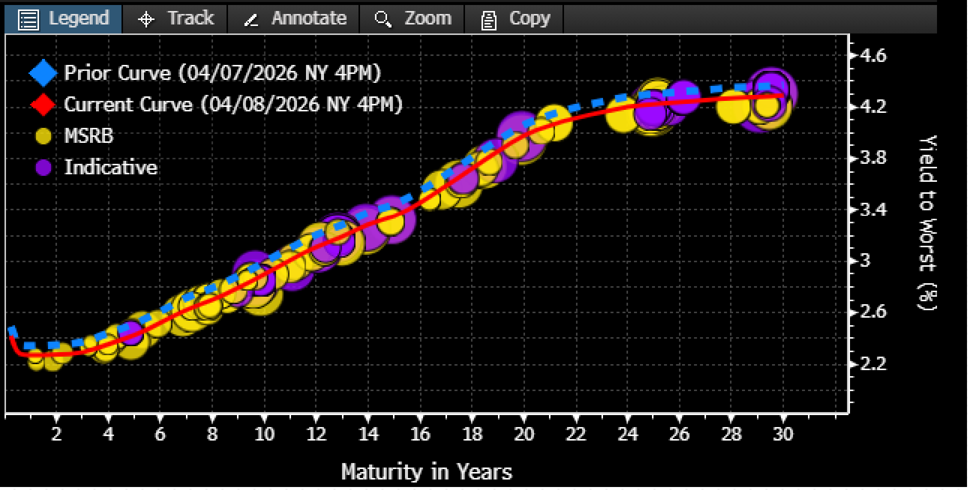
Source: Bloomberg as of 8/4/2026

- **Where is Investor Cash being put to work, and what does it say about Market Sentiment? – Stocks (risk on) or Bonds (risk off)**
- **Treasury Market – "Green on the Screen" = Positive Tone in Broader Fixed Income Markets**

Municipal Tone

BVAL AAA Callable Curve Prior 04/07/26 NY 4PM Current 04/08/26 NY 4PM Show Chart Residualized Yield
BVAL AAA Baseline Curve Show Details

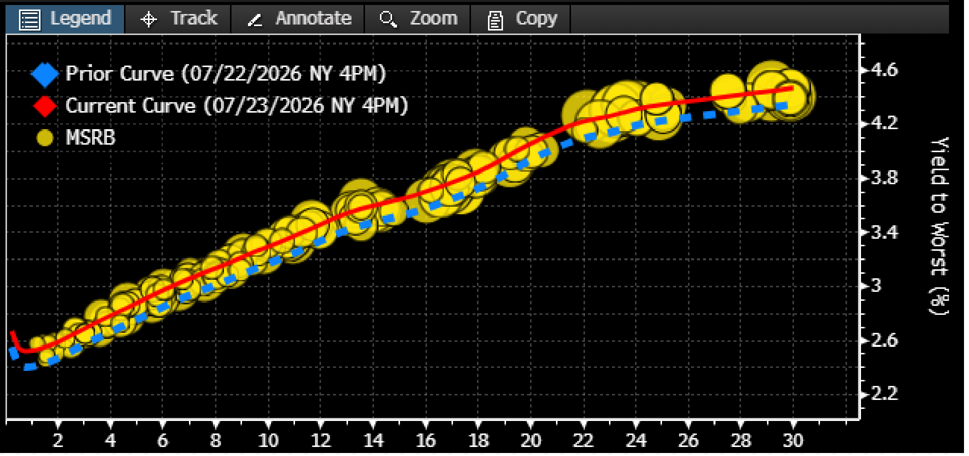
Term	Current	Change	Prior
1) 3 Month	2.42	-0.07	2.49
2) 6 Month	2.28	-0.07	2.35
3) 2027	2.27	-0.07	2.34
4) 2028	2.27	-0.08	2.35
5) 2029	2.29	-0.08	2.37
6) 2030	2.36	-0.09	2.44
7) 2031	2.42	-0.09	2.51
8) 2032	2.52	-0.09	2.61
9) 2033	2.63	-0.09	2.72
10) 2034	2.70	-0.09	2.79
11) 2035	2.79	-0.09	2.88
12) 2036	2.90	-0.09	2.99
13) 2037	3.01	-0.09	3.10
14) 2038	3.12	-0.09	3.21
15) 2039	3.19	-0.09	3.28



- In a **Rallying** Market, Benchmark Yields are decreasing.
- Tone is Positive
- Spreads to the Benchmark can **Tighten**

BVAL AAA Callable Curve Prior 07/22/26 NY 4PM Current 07/23/26 NY 4PM Show Chart Residualized Yield
BVAL AAA Baseline Curve Show Details

Term	Current	Change	Prior
1) 3 Month	2.67	+0.12	2.55
2) 6 Month	2.53	+0.12	2.41
3) 2027	2.52	+0.12	2.40
4) 2028	2.58	+0.12	2.46
5) 2029	2.69	+0.12	2.57
6) 2030	2.78	+0.12	2.66
7) 2031	2.88	+0.12	2.76
8) 2032	2.97	+0.12	2.85
9) 2033	3.06	+0.13	2.94
10) 2034	3.13	+0.13	3.01
11) 2035	3.22	+0.13	3.09
12) 2036	3.30	+0.13	3.17
13) 2037	3.37	+0.13	3.24
14) 2038	3.46	+0.12	3.34



- In a Market that is **Selling Off**, Benchmark Yields are increasing
- Tone is Negative
- Spreads to Benchmark can **Widen**

Source: Bloomberg as of 4/8/2026 and 7/23/2026

STRUCTURAL, CREDIT, AND STATE/INDUSTRY SPECIFIC FACTORS AFFECTING BOND PRICING

Spreads – The Basis of Negotiation

California Water District (Aa1/AAA) - Series 2024A Pricing Worksheet

pfm

Year	Term	Avg Life	Principal	Coupon	PFM 5% CPN / 9.7 yr PC Scale Re-Offer Yield	Yield to Call	Yield to Maturity	Price	Spread to 8/4/2026 Interpolated BVAL AAA	Benchmark 8/4/2026 Interpolated BVAL AAA
4/1/2027	0.6		$ 3,380,000	5.000%	2.36%			101.668	-12 bps	2.48%
4/1/2028	1.6		$ 3,020,000	5.000%	2.40%			104.157	-12 bps	2.52%
4/1/2029	2.6		$ 3,170,000	5.000%	2.50%			106.349	-12 bps	2.62%
4/1/2030	3.6		$ 3,330,000	5.000%	2.60%			108.284	-12 bps	2.72%
4/1/2031	4.6		$ 7,930,000	5.000%	2.70%			109.967	-12 bps	2.82%
4/1/2032	5.6		$ 8,335,000	5.000%	2.82%			111.293	-10 bps	2.92%
4/1/2033	6.6		$ 8,345,000	5.000%	2.91%			112.535	-9 bps	3.00%
4/1/2034	7.6		$ 8,350,000	5.000%	3.00%			113.563	-8 bps	3.08%
4/1/2035	8.6		$ 8,900,000	5.000%	3.10%			114.303	-6 bps	3.16%
4/1/2036	9.6		$ 8,925,000	5.000%	3.18%			115.007	-6 bps	3.24%
4/1/2037	10.6		$ 9,000,000	5.000%	3.31%		3.43%	113.848	-0 bps	3.31%
4/1/2038	11.6		$ 7,500,000	5.000%	3.42%		3.63%	112.879	1 bps	3.41%
4/1/2039	12.6		$ 5,155,000	5.000%	3.53%		3.80%	111.920	3 bps	3.50%
4/1/2040	13.6		$ 5,415,000	5.000%	3.62%		3.94%	111.143	6 bps	3.56%
4/1/2041	14.6		$ 5,685,000	5.000%	3.68%		4.03%	110.628	7 bps	3.61%
4/1/2042	15.6		$ 5,975,000	5.000%	3.75%		4.12%	110.031	9 bps	3.66%
4/1/2043	16.6		$ 6,270,000	5.000%	3.83%		4.21%	109.353	10 bps	3.73%
4/1/2044	17.6		$ 6,585,000	5.000%	3.89%		4.28%	108.848	9 bps	3.80%
4/1/2045	18.6		$ 6,915,000	5.000%	3.93%		4.33%	108.513	4 bps	3.89%
4/1/2046	19.6		$ 7,260,000	5.000%	3.99%		4.39%	108.013	-1 bps	4.00%

Total Par	$ 129,445,000
Avg Life	10.7 years
PV01	$ 100,074

Call Date: 4/1/2036

Source: Bloomberg as of 8/5/2026

- **Pricing Negotiations begin with determining the Spread to the Benchmark for each Maturity**
- **The Market Standard base case is a 5% CPN, 10 Year Par Call Scale**
- **Spread + Benchmark Yield = Re-Offer Yield**
- **Yield on pricing wires is quoted as the Yield to Worst to the Investor**
- **Premium Bonds are quoted as a Yield to Call Date**
- **Discount Bonds are quoted as a Yield to Maturity**
- **Focus of the exercise in Part II will be on a 5% Premium Bond Scale**

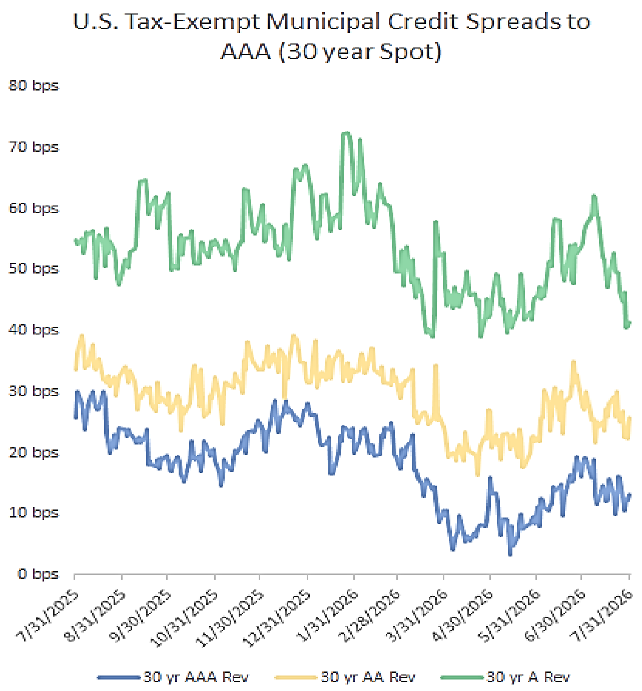
Factors Effecting Credit Spreads

Rating Impact to Credit Spreads

Issuer:	Trnasportation Issuer - Senior Lien					Trnasportation Issuer - Subordinate Lien				
Series:	Senior Revenue Refunding Bonds, Series 2026A					Subordinate Revenue Refunding Bonds Series 2026B				
Security:	Airports/Revenue					Airports/Revenue				
Sale Type:	Tax Exempt (Negotiated)					Tax Exempt (Negotiated)				
Par Amount:	$45,905,000					$49,955,000				
Sale Date:	6/8/2026					6/8/2026				
Last Call Date:	7/1/2036 @ 100 (10.1 Yrs)					7/1/2036 @ 100 (10.1 Yrs)				
Underlying Ratings:	A2/A+/-					A3/A/-				
Insured Ratings:	-/-/-					-/-/-				
Maturity Year (TSY)	Par (M)	Price	Coupon	Yield	BVAL Sprd	Par (M)	Price	Coupon	Yield	BVAL Sprd
<1										
1										
2										
3										
4										
5										
6										
7										
8										
9										
10						1,805	$116.51	5.000%	3.070%	15 bps
11										
12						3,925	$114.75	5.000%	3.260%	17 bps
13						14,050	$113.29	5.000%	3.420%	26 bps
14	7,225	$113.29	5.000%	3.420%	23 bps	14,730	$112.56	5.000%	3.500%	31 bps
15	38,680	$112.74	5.000%	3.480%	24 bps	15,445	$111.94	5.000%	3.570%	33 bps

Source: Bloomberg and Ipreo as of 8/5/2026

- Different Ratings result in a greater perceived level of Credit Risk
- Credit Spreads will be different depending on the rating.
- Lower Ratings = Higher Credit Spread
- Higher Ratings = Lower Credit Spread



Couponing Impact to Credit Spreads

Issuer:	California School District
Series:	General Obligation Bonds Election of 2024, Series A
Security:	Primary & Secondary Education/Ult G.O.
Sale Type:	Tax Exempt (Negotiated)
Par Amount:	$68,000,000
Sale Date:	7/23/2026
Last Call Date:	8/1/2036 @ 100 (10.1 Yrs)
Underlying Ratings:	Aa3/-/-
Insured Ratings:	-/-/-

Maturity Year (TSY)	Par (M)	Price	Coupon	Yield	BVAL Sprd
<1					
1	6,500	$102.46	5.000%	2.460%	-7 bps
2	3,800	$104.73	5.000%	2.540%	-5 bps
3	3,650	$106.76	5.000%	2.630%	-7 bps
4					
5					
6					
7					
8					
9					
10					
11					
12	950	$111.83	5.000%	3.580%	11 bps
13	1,150	$110.95	5.000%	3.680%	13 bps
14	1,250	$110.51	5.000%	3.730%	13 bps
15	1,500	$109.98	5.000%	3.790%	15 bps
16	1,750	$109.37	5.000%	3.860%	16 bps
17	2,000	$97.00	4.000%	4.250%	47 bps
18	2,250	$97.46	4.125%	4.330%	48 bps
19	2,500	$98.08	4.250%	4.400%	44 bps
20	2,750	$106.39	5.000%	4.210%	14 bps
21	3,000	$105.55	5.000%	4.310%	15 bps
22	3,250	$104.89	5.000%	4.390%	16 bps
23					
24					
25	11,350	$104.48	5.000%	4.440%	9 bps
26					
27					
28					
29	20,350	$103.50	5.000%	4.560%	12 bps

Source: Bloomberg and Ipreo as of 8/5/2026

- **Different Coupons will result in different spreads**
- **The Lower the Coupon, the Lower the cash flow an Investor receives, and the <u>higher</u> spread/yield the investor will require**
- **The Higher the Coupon, the higher the cash flow an Investor receives, and the <u>lower</u> the spread/yield the investor will require**
- **Issuers will need to evaluate with their Financial Advisor the various tradeoffs as they are presented with different coupon options.**

Coupon University

Year	Term	5% Coupon	Price	Spread to Benchmark	Lower Coupon	Price	Spread to Benchmark	Spread Difference
2041	14.7	5.000%	110.067	15 bps	4.000%	98.437	50 bps	35 bps
2046	19.7	5.000%	106.438	14 bps	4.250%	97.228	39 bps	25 bps
2056	29.7	5.000%	103.523	12 bps	4.500%	97.461	22 bps	10 bps

Lower Coupon vs 5% Coupon

Maturity	Call	Coupon	YTC	YTM	Price
2041	10yr	5.000%	3.790%	4.100%	110.067
	10yr	4.000%	4.190%	4.140%	98.437
			40 bps	4 bps	$11.63
2046	10yr	5.000%	4.210%	4.510%	106.438
	10yr	4.250%	4.600%	4.460%	97.228
			39 bps	-5 bps	$9.21
2056	10yr	5.000%	4.560%	4.770%	103.523
	10yr	4.500%	4.820%	4.660%	97.461
			26 bps	-11 bps	$6.06

Call Date Effects on Credit Spreads

Issuer:	State Issuer
Series:	General Obligation Refunding Bonds
Security:	Gen Purpose/Pub Impt/Ult G.O.
Sale Type:	Tax Exempt (Negotiated)
Par Amount:	$1,004,750,000
Sale Date:	3/11/2026
Last Call Date:	4/1/2036 @ 100 (10 Yrs)
Underlying Ratings:	Aa2/AA-/AA
Insured Ratings:	-/-/-

Maturity Year (TSY)	Par (M)	Price	Coupon	Yield	BVAL Sprd
<1	74,805	$101.51	5.000%	2.140%	-2 bps
1	66,275	$104.23	5.000%	2.180%	2 bps
2					
3	152,620	$109.29	5.000%	2.250%	4 bps
4					
5	36,055	$113.67	5.000%	2.350%	3 bps
6	38,690	$115.18	5.000%	2.470%	6 bps
7					
8	35,605	$117.76	5.000%	2.660%	11 bps
9	90,335	$118.57	5.00% 6PC	2.770%	10 bps
10					
11					
12					
13	235,770	$108.85	5.00% 6PC	3.240%	13 bps
	44,975	$114.51	5.00% 10PC	3.290%	18 bps
14					
15	36,970	$103.34	4.00% 10PC	3.600%	26 bps

Source: Bloomberg and Ipreo as of 8/5/2026

- **Different Call Dates may have different spreads**
- **Depending on the rate environment, the spread on a shorter call may be higher or lower than the spread on a standard 10 Year par Call redemption.**
- **Rising Rate Environment – Shorter call dates tend to have wider spreads**
- **Low-Rate Environment (2020/2021) – Shorter call dates tended to have tighter spreads**
- **Currently, spreads are relatively similar between shorter calls and standard 10-year par calls**

Industry Effect on Spreads

Issuer:	Joint Powers Financing Authority (CA)	County Financing Authority (CA)
Series:	Wastewater Revenue Bonds, 2026 (Green Bonds)	Lease Revenue Bonds, Series 2026A
Security:	Water & Sewer/Revenue	Gen Purpose/Pub Impt/Revenue
Sale Type:	Tax Exempt (Negotiated)	Tax Exempt (Negotiated)
Underwriter:		
Financial Advisor		
Par Amount:	$36,450,000	$25,620,000
Sale Date:	3/11/2026	3/10/2026
Last Call Date:	11/1/2036 @ 100 (11 Yrs)	5/1/2036 @ 100 (10.2 Yrs)
Underlying Ratings:	-/A+/-	-/A+/-
Insured Ratings:	-/-/- (Ins)	-/-/- (Ins)

Maturity Year (TSY)	Par (M)	Price	Coupon	Yield	BVAL Sprd	Par (M)	Price	Coupon	Yield	BVAL Sprd
<1										
1										
2						410	$105.12	5.000%	2.480%	33 bps
3						430	$107.65	5.000%	2.420%	*26 bps
4	655	$111.86	5.00% 4PC	2.270%	*1 bps	450	$109.84	5.000%	2.460%	*26 bps
5	685	$113.88	5.00% 4PC	2.340%	*2 bps	475	$111.84	5.000%	2.510%	*26 bps
6	720	$115.45	5.00% 4PC	2.450%	*4 bps	495	$113.39	5.000%	2.610%	*30 bps
7	760	$117.28	5.000%	2.490%	*1 bps	520	$114.83	5.000%	2.690%	*29 bps
8	800	$118.05	5.000%	2.640%	*8 bps	550	$115.99	5.000%	2.780%	*32 bps
9	840	$118.78	5.000%	2.760%	*8 bps	575	$116.77	5.000%	2.890%	*33 bps
10	880	$119.35	5.00% 4PC	2.870%	*7 bps	605	$117.40	5.000%	2.990%	*31 bps
11	930	$118.44	5.00% 11PC	2.960%	*5 bps	635	$115.99	5.000%	3.140%	*34 bps
12	975	$117.05	5.00% 11PC	3.100%	*9 bps	665	$114.49	5.000%	3.300%	*39 bps
13	1,025	$115.39	5.00% 11PC	3.270%	*15 bps	700	$113.21	5.000%	3.440%	*43 bps
14	1,080	$115.10	5.00% 11PC	3.300%	*7 bps	735	$112.48	5.000%	3.520%	*39 bps
15	1,135	$114.14	5.00% 11PC	3.400%	*5 bps	770	$111.67	5.000%	3.610%	*37 bps
16	1,190	$112.90	5.00% 11PC	3.530%	*4 bps	810	$110.60	5.000%	3.730%	*36 bps
17	1,255	$111.50	5.00% 11PC	3.680%	*5 bps	850	$109.37	5.000%	3.870%	*35 bps
18	1,315	$110.20	5.00% 11PC	3.820%	*6 bps	890	$108.15	5.000%	4.010%	*35 bps
19	1,385	$108.75	5.00% 11PC	3.980%	*9 bps	935	$106.86	5.000%	4.160%	*36 bps
20	1,455	$107.85	5.00% 11PC	4.080%	*10 bps	985	$105.93	5.000%	4.270%	*35 bps
21										
22										
23										
24										
25	8,480	$104.95	5.00% 11PC	4.410%	*23 bps	5,730	$105.70	5.250%	4.540%	*39 bps
26										
27										
28										
29										
30	10,885	$101.21	5.00% 4PC	4.630%	*39 bps	7,405	$104.62	5.250%	4.670%	*45 bps

Source: Bloomberg and Ipreo as of 8/6/2026

- Different Industries may require different credit spreads to gain investor attention.
- Perceived Credit risk within an industry, scarcity/surplus of supply in an industry, and will determine the appropriate credit spread.
- Scarcity within certain types of credits can additionally drive greater spread compression compared to industries that are susceptible to heavy issuance.

State Specific Effects on Credit Spreads

Issuer:	Texas Aa1/Aaa (Enhanced) School District					California Aa2 School District				
Series:	School Building and Refunding Bonds, Series 2026 (Permanent School Fund Guarantee Program)					General Obligation Bonds Election of 2016, Series 2026				
Security:	Primary & Secondary Education/Ult G.O.					Primary & Secondary Education/Ult G.O.				
Sale Type:	Tax Exempt (Negotiated)					Tax Exempt (Negotiated)				
Par Amount:	$227,875,000					$100,080,000				
Sale Date:	6/2/2026					6/2/2026				
Last Call Date:	8/15/2035 @ 100 (9.4 Yrs)					8/1/2036 @ 100 (10.3 Yrs)				
Underlying Ratings:	Aa1/-/AA+					Aa2/-/-				
Insured Ratings:	Aaa/-/AAA					-/-/-				
Maturity Year (TSY)	Par (M)	Price	Coupon	Yield	BVAL Sprd	Par (M)	Price	Coupon	Yield	BVAL Sprd
<1										
1	7,045	$102.83	5.000%	2.460%	8 bps	425	$102.99	5.000%	2.240%	-15 bps
2	7,855	$105.07	5.000%	2.550%	16 bps	3,800	$105.55	5.000%	2.280%	-11 bps
3	17,150	$107.12	5.000%	2.620%	21 bps	1,615	$107.85	5.000%	2.360%	-5 bps
4	14,990	$108.95	5.000%	2.700%	23 bps	2,600	$109.98	5.000%	2.430%	-4 bps
5	13,930	$110.61	5.000%	2.770%	24 bps	2,150	$112.01	5.000%	2.480%	-5 bps
6	11,040	$111.79	5.000%	2.890%	29 bps	2,230	$113.70	5.000%	2.560%	-4 bps
7	18,345	$113.17	5.000%	2.940%	27 bps	2,590	$115.47	5.000%	2.600%	-7 bps
8	19,255	$114.58	5.000%	2.970%	23 bps	2,990	$116.71	5.000%	2.690%	-5 bps
9	20,210	$115.53	5.000%	3.040%	21 bps	3,415	$118.10	5.000%	2.740%	-9 bps
10	6,335	$114.50	5.000%	3.160%	23 bps	3,870	$119.05	5.000%	2.820%	-11 bps
11	11,640	$113.65	5.000%	3.260%	24 bps	4,360	$117.60	5.000%	2.970%	-5 bps
12	7,120	$112.64	5.000%	3.380%	27 bps	4,890	$116.65	5.000%	3.070%	-4 bps
13	2,605	$111.81	5.000%	3.480%	30 bps	6,410	$115.15	5.000%	3.230%	5 bps
14	2,735	$111.23	5.000%	3.550%	32 bps	7,095	$114.69	5.000%	3.280%	5 bps
15	2,875	$110.90	5.000%	3.590%	30 bps	8,105	$114.32	5.000%	3.320%	3 bps
16	3,015	$110.00	5.000%	3.700%	31 bps	10,385	$113.40	5.000%	3.420%	3 bps
17	3,165	$109.35	5.000%	3.780%	28 bps	11,375	$112.40	5.000%	3.530%	3 bps
18	3,325	$108.54	5.000%	3.880%	25 bps	12,435	$111.86	5.000%	3.590%	-4 bps
19	3,490	$107.90	5.000%	3.960%	20 bps	9,340	$99.47	4.000%	4.040%	28 bps
20	3,665	$107.11	5.000%	4.060%	18 bps					
21	3,850	$105.94	5.000%	4.210%	25 bps					
22	4,040	$105.24	5.000%	4.300%	27 bps					
23	4,245	$104.93	5.000%	4.340%	26 bps					
24	4,455	$104.78	5.000%	4.360%	23 bps					
25	4,680	$104.62	5.000%	4.380%	23 bps					

Source: Bloomberg and Ipreo as of 8/5/2026

- State specific factors will cause credit spreads to differ across states
- State Income Tax Rates derive a different relative value of the tax exemption, depending on the state
- Supply/Demand dynamics in various states will additionally affect credit spreads

Deal Size, Block Size, and Term

California School District (Aa2)				
General Obligation Bonds Election of 2016, Series 2026				
Primary & Secondary Education/Ult G.O. Tax Exempt (Negotiated) Underwriter				
$100,080,000 6/2/2026 8/1/2036 @ 100 (10.3 Yrs)				
Aa2/-/- -/-/-				
Par (M)	**Price**	**Coupon**	**Yield**	**BVAL Sprd**
425	$102.99	5.000%	2.240%	-15 bps
3,800	$105.55	5.000%	2.280%	-11 bps
1,615	$107.85	5.000%	2.360%	-5 bps
2,600	$109.98	5.000%	2.430%	-4 bps
2,150	$112.01	5.000%	2.480%	-5 bps
2,230	$113.70	5.000%	2.560%	-4 bps
2,590	$115.47	5.000%	2.600%	-7 bps
2,990	$116.71	5.000%	2.690%	-5 bps
3,415	$118.10	5.000%	2.740%	-9 bps
3,870	$119.05	5.000%	2.820%	-11 bps
4,360	$117.60	5.000%	2.970%	-5 bps
4,890	$116.65	5.000%	3.070%	-4 bps
6,410	$115.15	5.000%	3.230%	5 bps
7,095	$114.69	5.000%	3.280%	5 bps
8,105	$114.32	5.000%	3.320%	3 bps
10,385	$113.40	5.000%	3.420%	3 bps
11,375	$112.40	5.000%	3.530%	3 bps
12,435	$111.86	5.000%	3.590%	-4 bps
9,340	$99.47	4.000%	4.040%	28 bps

California School District (AA+)				
Refunding General Obligation Bonds, 2026				
Primary & Secondary Education/Ult G.O. Tax Exempt (Negotiated) Underwriter				
$5,365,000 6/1/2026 8/1/2036 @ 100 (10.3 Yrs)				
-/AA+/- -/-/-				
Par (M)	**Price**	**Coupon**	**Yield**	**BVAL Sprd**
100	$100.31	5.000%	2.500%	-7 bps
115	$102.91	5.000%	2.360%	-6 bps
130	$105.42	5.000%	2.370%	-5 bps
150	$107.69	5.000%	2.430%	0 bps
170	$109.74	5.000%	2.500%	0 bps
190	$111.54	5.000%	2.580%	3 bps
215	$113.20	5.000%	2.650%	2 bps
235	$114.81	5.000%	2.700%	0 bps
260	$116.12	5.000%	2.770%	0 bps
290	$117.17	5.000%	2.850%	-2 bps
320	$117.83	5.000%	2.950%	-2 bps
350	$116.68	5.000%	3.070%	1 bps
380	$115.74	5.000%	3.170%	2 bps
420	$114.81	5.000%	3.270%	5 bps
455	$114.43	5.000%	3.310%	4 bps
490	$113.79	5.000%	3.380%	5 bps
535	$113.06	5.000%	3.460%	2 bps
560	$112.24	5.000%	3.550%	0 bps

Source: Bloomberg and Ipreo as of 8/5/2026

- **Deal Size and Maturity Block size can affect the liquidity of Municipal Bonds**
- **Larger transactions will generally command greater attention from investors; however at a certain level there can also be a size concession.**
- **Institutional size maturities can result in a lower credit spread;**
- **Longer Maturities generally will have a greater credit risk, and thus a greater spread/yield, than shorter maturities**
- **Different Types of Investors may also focus on different maturity terms.**

QUESTIONS?

BETSY KIEHN
Managing Director, Head of Municipal Capital Markets
Stifel

MATT RUDROFF, CFA, CPA
Director
PFM Financial Advisors LLC

SESSION FOUR, PART 2

Group Exercise: Bond Pricing

BETSY KIEHN
Managing Director, Head of Municipal Capital Markets
Stifel

MATT RUDROFF, CFA, CPA
Director
PFM Financial Advisors LLC

CDIAC

Overview

- Exercise Overview
- Issuer Historical Pricing Results
- Recent Comparable Pricing Results
- Secondary Trading
- Pre-Marketing
- Market Data/Tone Impact on Spreads on Day of Pricing
- Release Pricing Wire and Take Orders
- Reprice and Verbal Award

EXERCISE OVERVIEW

Exercise Overview
(Continued 2/3)

California Water District (Aa1/AA+) - Series 2026 Pricing Worksheet

pfm

Year		Term	Avg Life	Principal	Coupon	5% CPN / 9.7 yr PC Scale Re-Offer Yield	Yield to Call	Yield to Maturity	Price	Credit Spread	Benchmark 7/9/2026
4/1/2027	0.6			$ 3,380,000	5.000%	2.31%			101.700		2.31%
4/1/2028	1.6			$ 3,020,000	5.000%	2.35%			104.240		2.35%
4/1/2029	2.6			$ 3,170,000	5.000%	2.43%			106.534		2.43%
4/1/2030	3.6			$ 3,330,000	5.000%	2.51%			108.610		2.51%
4/1/2031	4.6			$ 7,930,000	5.000%	2.58%			110.519		2.58%
4/1/2032	5.6			$ 8,335,000	5.000%	2.66%			112.180		2.66%
4/1/2033	6.6			$ 8,345,000	5.000%	2.74%			113.635		2.74%
4/1/2034	7.6			$ 8,350,000	5.000%	2.79%			115.111		2.79%
4/1/2035	8.6			$ 8,900,000	5.000%	2.86%			116.279		2.86%
4/1/2036	9.6			$ 8,925,000	5.000%	2.95%			117.090		2.95%
4/1/2037	10.6			$ 9,000,000	5.000%	3.02%		3.17%	116.451		3.02%
4/1/2038	11.6			$ 7,500,000	5.000%	3.11%		3.37%	115.636		3.11%
4/1/2039	12.6			$ 5,155,000	5.000%	3.19%		3.53%	114.917		3.19%
4/1/2040	13.6			$ 5,415,000	5.000%	3.22%		3.63%	114.649		3.22%
4/1/2041	14.6			$ 5,685,000	5.000%	3.25%		3.72%	114.381		3.25%
4/1/2042	15.6			$ 5,975,000	5.000%	3.32%		3.82%	113.760		3.32%
4/1/2043	16.6			$ 6,270,000	5.000%	3.41%		3.93%	112.967		3.41%
4/1/2044	17.6			$ 6,585,000	5.000%	3.51%		4.03%	112.094		3.51%
4/1/2045	18.6			$ 6,915,000	5.000%	3.63%		4.14%	111.057		3.63%
4/1/2046	19.6			$ 7,260,000	5.000%	3.75%		4.24%	110.031		3.75%
4/1/2047	20.6	1		$ 7,300,000							3.85%
4/1/2048	21.6	1		$ 7,350,000							3.92%
4/1/2049	22.6	1		$ 7,400,000							3.97%
4/1/2050	23.6	1		$ 7,450,000							4.02%
4/1/2051	24.6	1	22.7 yrs	$ 7,500,000	5.000%	4.06%		4.50%	107.433		4.06%
4/1/2052	25.6	2		$ 7,550,000							4.09%
4/1/2053	26.6	2		$ 7,600,000							4.11%
4/1/2054	27.6	2		$ 7,650,000							4.14%
4/1/2055	28.6	2		$ 7,700,000							4.16%
4/1/2056	29.6	2	27.7 yrs	$ 7,750,000	5.000%	4.18%		4.60%	106.447		4.18%

Total Par	$ 204,695,000
Avg Life	16.0 years
PV01	$ 100,074

Call Date: 4/1/2036

The case studies provided in this proposal are for informational purposes only. They do not represent an endorsement or testimonial by clients of PFM's financial advisory services.

Source: Bloomberg as of 8/4/2026

- **California Water District Revenue Bond**
- **Aa1/AA+ Rated**
- **$204 Million Issuance Size**
- **Maturity Size $3.3mm to $38.25mm (term)**
- **5% Coupon**
- **10 Year Par Call Scale**
- **Term Bonds in 2051 and 2056**

- **Based Supporting Data, credit spreads will be developed and evolve up until Morning of Pricing**

Exercise Overview

(Continued 3/3)

California Water District (Aa1/AA+) - Series 2026 Pricing Worksheet

pfm

Year		Term	Avg Life	Principal	Coupon	5% CPN / 9.7 yr PC Scale Re-Offer Yield	Yield to Call	Yield to Maturity	Price	Credit Spread	Benchmark 7/9/2026
4/1/2027	0.6			$ 3,380,000	5.000%	2.31%			101.700		2.31%
4/1/2028	1.6			$ 3,020,000	5.000%	2.35%			104.240		2.35%
4/1/2029	2.6			$ 3,170,000	5.000%	2.43%			106.534		2.43%
4/1/2030	3.6			$ 3,330,000	5.000%	2.51%			108.610		2.51%
4/1/2031	4.6			$ 7,930,000	5.000%	2.58%			110.519		2.58%
4/1/2032	5.6			$ 8,335,000	5.000%	2.66%			112.180		2.66%
4/1/2033	6.6			$ 8,345,000	5.000%	2.74%			113.635		2.74%
4/1/2034	7.6			$ 8,350,000	5.000%	2.79%			115.111		2.79%
4/1/2035	8.6			$ 8,900,000	5.000%	2.86%			116.279		2.86%
4/1/2036	9.6			$ 8,925,000	5.000%	2.95%			117.090		2.95%
4/1/2037	10.6			$ 9,000,000	5.000%	3.02%		3.17%	116.451		3.02%
4/1/2038	11.6			$ 7,500,000	5.000%	3.11%		3.37%	115.636		3.11%
4/1/2039	12.6			$ 5,155,000	5.000%	3.19%		3.53%	114.917		3.19%
4/1/2040	13.6			$ 5,415,000	5.000%	3.22%		3.63%	114.649		3.22%
4/1/2041	14.6			$ 5,685,000	5.000%	3.25%		3.72%	114.381		3.25%
4/1/2042	15.6			$ 5,975,000	5.000%	3.32%		3.82%	113.760		3.32%
4/1/2043	16.6			$ 6,270,000	5.000%	3.41%		3.93%	112.967		3.41%
4/1/2044	17.6			$ 6,585,000	5.000%	3.51%		4.03%	112.094		3.51%
4/1/2045	18.6			$ 6,915,000	5.000%	3.63%		4.14%	111.057		3.63%
4/1/2046	19.6			$ 7,260,000	5.000%	3.75%		4.24%	110.031		3.75%
4/1/2047	20.6	1		$ 7,300,000							3.85%
4/1/2048	21.6	1		$ 7,350,000							3.92%
4/1/2049	22.6	1		$ 7,400,000							3.97%
4/1/2050	23.6	1		$ 7,450,000							4.02%
4/1/2051	24.6	1	22.7 yrs	$ 7,500,000	5.000%	4.06%		4.50%	107.433		4.06%
4/1/2052	25.6	2		$ 7,550,000							4.09%
4/1/2053	26.6	2		$ 7,600,000							4.11%
4/1/2054	27.6	2		$ 7,650,000							4.14%
4/1/2055	28.6	2		$ 7,700,000							4.16%
4/1/2056	29.6	2	27.7 yrs	$ 7,750,000	5.000%	4.18%		4.60%	106.447		4.18%

Total Par	$ 204,695,000
Avg Life	16.0 years
PV01	$ 166,604

Call Date: 4/1/2036

Year	Issuer Historical Pricing Results Spread	Recent Comparable Pricing Results Spread	Secondary Trade Activity Spread	Morning Market Tone Spread
1				
5				
10				
15				
20				
30				

Source: Bloomberg as of 8/4/2026

Negotiated Sale Process

NEGOTIATED SALE

Independent Pricing Scale

Issuer, FA, & Sr. underwriter negotiate Pre-Marketing wire scale

Issuer, FA, & Sr. underwriter negotiate pricing wire scale

Pricing wire released & bonds offered directly to investors

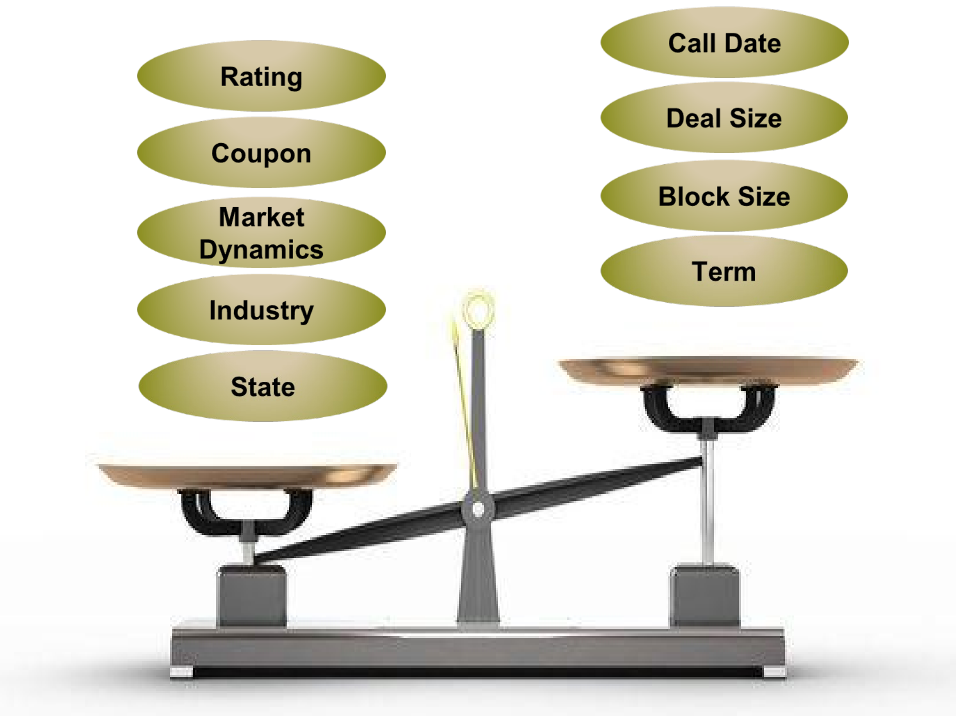
Underwriting syndicate takes orders

Final price negotiated

Analyze Historical Issuer Results

Analyze Recent Comparable Results

Analyze Recent Trades



ISSUER HISTORICAL PRICING RESULTS

Issuer Historical Pricing Results - Exercise

- **Historical Issuer Results can give a trading range for where an Issuer has priced in the Primary Market**
- **However, market dynamics at the time of the prior issuance need to be considered**

Issuer:	Water District (CA)	Water District (CA)	Water District (CA)
Series:	Water System Refunding Revenue Bonds Series 2024	Water System Refunding Revenue Bonds, Series 2023	Water Refunding Revenue Bonds, Series 2022A
Security:	Water & Sewer/Revenue	Water & Sewer/Revenue	Water & Sewer/Revenue
Sale Type:	Tax Exempt	Tax Exempt	Tax Exempt
Underwriter:			
Financial Advisor			
Par Amount:	$147,920,000	$94,375,000	$75,295,000
Sale Date:	9/10/2024	1/10/2023	11/16/2022
Last Call Date:	6/1/2034 @ 100 (9.8 Yrs)	6/1/2032 @ 100 (9.5 Yrs)	8/1/2032 @ 100 (9.8 Yrs)
Underlying Ratings:	Aa1/-/AA+	Aa1/-/AA+	Aa1/-/AA+
Insured Ratings:	-/-/-	-/-/-	-/-/-

Water System Refunding Revenue Bonds Series 2024

Maturity Year (TSY)	Par (M)	Price	Coupon	Yield	BVAL Sprd
<1					
1	1,890	$101.82	5.000%	2.300%	-17 bps
2	2,330	$104.62	5.000%	2.190%	-21 bps
3	2,445	$107.34	5.000%	2.170%	-21 bps
4	2,570	$109.97	5.000%	2.170%	-20 bps
5	2,695	$112.64	5.000%	2.150%	-22 bps
6	2,830	$114.89	5.000%	2.200%	-19 bps
7	2,975	$116.71	5.000%	2.290%	-15 bps
8	3,120	$118.38	5.000%	2.370%	-11 bps
9	3,280	$120.10	5.000%	2.420%	-11 bps
10	3,440	$121.67	5.000%	2.470%	-12 bps
11	3,615	$121.10	5.000%	2.530%	-11 bps
12	3,795	$120.72	5.000%	2.570%	-12 bps
13	3,985	$119.96	5.000%	2.650%	-8 bps
14	4,185	$119.30	5.000%	2.720%	-6 bps
15	4,430	$118.08	5.000%	2.850%	1 bps
16	4,650	$117.07	5.000%	2.960%	3 bps
17	4,880	$116.24	5.000%	3.050%	2 bps
18	5,125	$115.70	5.000%	3.110%	2 bps
19	5,385	$115.07	5.000%	3.180%	3 bps
20	5,650	$114.53	5.000%	3.240%	3 bps
21	5,935	$114.17	5.000%	3.280%	3 bps
22	6,230	$113.81	5.000%	3.320%	3 bps
23	6,545	$113.28	5.000%	3.380%	3 bps
24	6,870	$113.11	5.000%	3.400%	2 bps
25					
26	15,000	$112.40	5.000%	3.480%	4 bps
27					
28	16,200	$111.88	5.000%	3.540%	6 bps
29					
30	17,865	$111.71	5.000%	3.560%	7 bps

Water System Refunding Revenue Bonds, Series 2023

Maturity Year (TSY)	Par (M)	Price	Coupon	Yield	BVAL Sprd
<1					
1	1,525	$103.75	5.000%	2.200%	-24 bps
2	1,610	$106.44	5.000%	2.190%	-14 bps
3	1,655	$109.07	5.000%	2.190%	-12 bps
4	1,735	$111.64	5.000%	2.190%	-11 bps
5	1,825	$114.15	5.000%	2.190%	-12 bps
6	1,915	$116.55	5.000%	2.200%	-12 bps
7	2,010	$118.79	5.000%	2.220%	-10 bps
8	2,115	$120.95	5.000%	2.240%	-10 bps
9	2,220	$122.63	5.000%	2.300%	-9 bps
10	2,330	$122.25	5.000%	2.340%	-11 bps
11	2,445	$121.13	5.000%	2.460%	-9 bps
12	2,565	$119.38	5.000%	2.650%	-1 bps
13	2,695	$117.83	5.000%	2.820%	6 bps
14	2,830	$116.93	5.000%	2.920%	7 bps
15	2,975	$116.22	5.000%	3.000%	10 bps
16	3,120	$115.78	5.000%	3.050%	11 bps
17	3,275	$115.34	5.000%	3.100%	13 bps
18	3,440	$115.08	5.000%	3.130%	13 bps
19	3,665	$114.81	5.000%	3.160%	12 bps
20	3,850	$114.20	5.000%	3.230%	16 bps
21	4,040	$114.03	5.000%	3.250%	13 bps
22	4,245	$113.77	5.000%	3.280%	11 bps
23	4,455	$113.34	5.000%	3.330%	12 bps
24	4,680	$112.82	5.000%	3.390%	15 bps
25	4,915	$112.40	5.000%	3.440%	17 bps
26	5,160	$112.14	5.000%	3.470%	17 bps
27	5,415	$111.89	5.000%	3.500%	18 bps
28	5,690	$111.80	5.000%	3.510%	18 bps
29	5,975	$111.72	5.000%	3.520%	17 bps
30					

Water Refunding Revenue Bonds, Series 2022A

Maturity Year (TSY)	Par (M)	Price	Coupon	Yield	BVAL Sprd
<1					
1	920	$101.43	5.000%	2.770%	4 bps
2	1,455	$103.53	5.000%	2.800%	-1 bps
3	1,530	$105.53	5.000%	2.820%	-1 bps
4	1,605	$107.37	5.000%	2.860%	3 bps
5	1,685	$109.26	5.000%	2.860%	2 bps
6	1,770	$111.09	5.000%	2.860%	2 bps
7	1,855	$112.81	5.000%	2.870%	3 bps
8	1,950	$114.54	5.000%	2.870%	3 bps
9	2,050	$116.13	5.000%	2.880%	2 bps
10	2,150	$117.57	5.000%	2.900%	1 bps
11	2,255	$117.11	5.000%	2.950%	-1 bps
12	2,370	$115.74	5.000%	3.100%	6 bps
13	2,490	$114.31	5.000%	3.260%	15 bps
14	2,615	$113.07	5.000%	3.400%	22 bps
15	2,745	$112.45	5.000%	3.470%	24 bps
16	2,880	$111.50	5.000%	3.580%	32 bps
17	3,025	$110.90	5.000%	3.650%	35 bps
18	3,175	$110.21	5.000%	3.730%	39 bps
19	3,335	$109.70	5.000%	3.790%	41 bps
20	3,500	$109.53	5.000%	3.810%	41 bps
21					
22					
23					
24					
25	20,315	$108.35	5.000%	3.950%	39 bps
26					
27	9,620	$107.69	5.000%	4.030%	43 bps
28					
29					
30					

Source: Bloomberg and Ipreo as of 8/5/2026

Issuer Historical Pricing Results – Exercise (Continued)

California Water District (Aa1/AA+) - Series 2026 Pricing Worksheet

Year		Term	Avg Life	Principal	Coupon	5% CPN / 9.7 yr PC Scale Re-Offer Yield	Yield to Call	Yield to Maturity	Price	Credit Spread	Benchmark 7/9/2026	Year	Issuer Historical Pricing Results Spread
4/1/2027	0.6			$ 3,380,000	5.000%	2.31%			101.700		2.31%	1	
4/1/2028	1.6			$ 3,020,000	5.000%	2.35%			104.240		2.35%		
4/1/2029	2.6			$ 3,170,000	5.000%	2.43%			106.534		2.43%		
4/1/2030	3.6			$ 3,330,000	5.000%	2.51%			108.610		2.51%		
4/1/2031	4.6			$ 7,930,000	5.000%	2.58%			110.519		2.58%	5	
4/1/2032	5.6			$ 8,335,000	5.000%	2.66%			112.180		2.66%		
4/1/2033	6.6			$ 8,345,000	5.000%	2.74%			113.635		2.74%		
4/1/2034	7.6			$ 8,350,000	5.000%	2.79%			115.111		2.79%		
4/1/2035	8.6			$ 8,900,000	5.000%	2.86%			116.279		2.86%		
4/1/2036	9.6			$ 8,925,000	5.000%	2.95%			117.090		2.95%	10	
4/1/2037	10.6			$ 9,000,000	5.000%	3.02%		3.17%	116.451		3.02%		
4/1/2038	11.6			$ 7,500,000	5.000%	3.11%		3.37%	115.636		3.11%		
4/1/2039	12.6			$ 5,155,000	5.000%	3.19%		3.53%	114.917		3.19%		
4/1/2040	13.6			$ 5,415,000	5.000%	3.22%		3.63%	114.649		3.22%		
4/1/2041	14.6			$ 5,685,000	5.000%	3.25%		3.72%	114.381		3.25%	15	
4/1/2042	15.6			$ 5,975,000	5.000%	3.32%		3.82%	113.760		3.32%		
4/1/2043	16.6			$ 6,270,000	5.000%	3.41%		3.93%	112.967		3.41%		
4/1/2044	17.6			$ 6,585,000	5.000%	3.51%		4.03%	112.094		3.51%		
4/1/2045	18.6			$ 6,915,000	5.000%	3.63%		4.14%	111.057		3.63%		
4/1/2046	19.6			$ 7,260,000	5.000%	3.75%		4.24%	110.031		3.75%	20	
4/1/2047	20.6	1		$ 7,300,000							3.85%		
4/1/2048	21.6	1		$ 7,350,000							3.92%		
4/1/2049	22.6	1		$ 7,400,000							3.97%		
4/1/2050	23.6	1		$ 7,450,000							4.02%		
4/1/2051	24.6	1	22.7 yrs	$ 7,500,000	5.000%	4.06%		4.50%	107.433		4.06%		
4/1/2052	25.6	2		$ 7,550,000							4.09%		
4/1/2053	26.6	2		$ 7,600,000							4.11%		
4/1/2054	27.6	2		$ 7,650,000							4.14%		
4/1/2055	28.6	2		$ 7,700,000							4.16%		
4/1/2056	29.6	2	27.7 yrs	$ 7,750,000	5.000%	4.18%		4.60%	106.447		4.18%	30	

Total Par	$ 204,695,000
Avg Life	16.0 years
PV01	$ 166,604

Call Date:
4/1/2036

- Based on Issuer Historical Pricing Results.
- Enter in the Spreads that you think our Primary Issue Example should clear the market.
- Start with Spots on the Curve (ie 1, 5, 10, 15, 20, 30 Year Tenors)

Source: Bloomberg as of 8/4/2026

RECENT COMPARABLE PRICING RESULTS

Recent Comparable Pricing Results - Example

Issuer:	California Issuer	California Issuer	California Issuer
Series:	Water System Revenue Bonds, Series 2026	Lease Revenue Bonds, 2026 Series	Election of 2022 General Obligation Bonds
Security:	Water & Sewer/Revenue	Gen Purpose/Pub Impt/Revenue	Primary & Secondary Education/Ult G.O.
Sale Type:	Tax Exempt (Negotiated)	Tax Exempt (Negotiated)	Tax Exempt (Competitive)
Underwriter:			
Financial Advisor			
Par Amount:	$329,505,000	$348,380,000	$250,000,000
Sale Date:	3/31/2026	3/26/2026	3/25/2026
Last Call Date:	6/1/2036 @ 100 (10.2 Yrs)	9/1/2035 @ 100 (9.5 Yrs)	8/1/2036 @ 100 (10.4 Yrs)
Underlying Ratings:	Aaa/AAA/-	Aa3/A+/AA-	Aa2/AA-/-
Insured Ratings:	-/-/-	-/-/-	-/-/-

California Issuer – Water System Revenue Bonds, Series 2026

Maturity Year (TSY)	Par (M)	Price	Coupon	Yield	BVAL Sprd
<1					
1	5,840	$103.07	5.000%	2.080%	-30 bps
2	7,275	$105.82	5.000%	2.110%	-29 bps
3	7,635	$108.33	5.000%	2.180%	-26 bps
4	8,020	$110.55	5.000%	2.270%	-25 bps
5	8,420	$112.70	5.000%	2.330%	-27 bps
6	8,840	$114.18	5.000%	2.470%	-23 bps
7	9,280	$115.83	5.000%	2.540%	-26 bps
8	9,745	$116.81	5.000%	2.670%	-21 bps
9	10,235	$117.34	5.000%	2.820%	-16 bps
10					
11					
12					
13					
14					
15	10,745	$112.91	5.000%	3.470%	-7 bps
16	11,285	$111.91	5.000%	3.580%	-7 bps
17	11,845	$111.02	5.000%	3.680%	-10 bps
18	12,440	$109.96	5.000%	3.800%	-11 bps
19	13,060	$108.56	5.000%	3.960%	-8 bps
20	13,715	$107.70	5.000%	4.060%	-9 bps
21					
22					
23					
24					
25	79,570	$105.75	5.000%	4.290%	-8 bps
26					
27					
28					
29					
30	101,555	$104.75	5.000%	4.410%	-3 bps
31					

California Issuer – Lease Revenue Bonds, 2026 Series

Maturity Year (TSY)	Par (M)	Price	Coupon	Yield	BVAL Sprd
<1	9,990	$100.99	5.000%	2.450%	6 bps
1	8,370	$103.42	5.000%	2.490%	9 bps
2	9,320	$105.70	5.000%	2.530%	11 bps
3	10,300	$107.71	5.000%	2.610%	13 bps
4	11,345	$109.47	5.000%	2.700%	14 bps
5	12,435	$110.84	5.000%	2.820%	18 bps
6	13,585	$111.86	5.000%	2.950%	20 bps
7	14,795	$113.10	5.000%	3.010%	17 bps
8	16,070	$113.79	5.000%	3.120%	19 bps
9	17,405	$114.33	5.000%	3.220%	19 bps
10	18,810	$113.46	5.000%	3.320%	18 bps
11	16,410	$112.43	5.000%	3.440%	19 bps
12	22,010	$111.49	5.000%	3.550%	21 bps
13	24,735	$110.48	5.000%	3.670%	24 bps
14	27,020	$110.15	5.000%	3.710%	20 bps
15	7,055	$109.65	5.000%	3.770%	18 bps
16	7,925	$109.07	5.000%	3.840%	13 bps
17	8,850	$108.42	5.000%	3.920%	8 bps
18	9,815	$107.52	5.000%	4.030%	6 bps
19	10,830	$106.71	5.000%	4.130%	3 bps
20	11,900	$105.91	5.000%	4.230%	4 bps
21	13,020	$105.04	5.000%	4.340%	8 bps
22	14,200	$104.42	5.000%	4.420%	11 bps
23	15,440	$104.26	5.000%	4.440%	9 bps
24	16,745	$104.10	5.000%	4.460%	8 bps
25					
26					
27					
28					
29					
30					
31					

California Issuer – Election of 2022 General Obligation Bonds

Maturity Year (TSY)	Par (M)	Price	Coupon	Yield	BVAL Sprd
<1	39,325	$100.77	5.000%	2.340%	-9 bps
1	43,000	$103.55	5.000%	2.200%	-19 bps
2					
3					
4					
5					
6					
7					
8					
9					
10					
11	600	$116.63	5.000%	3.100%	-14 bps
12	1,025	$115.58	5.000%	3.210%	-12 bps
13	1,490	$114.26	5.000%	3.350%	-7 bps
14	1,990	$113.61	5.000%	3.420%	-8 bps
15	2,535	$112.50	5.000%	3.540%	-4 bps
16	3,125	$111.77	5.000%	3.620%	-7 bps
17	3,765	$110.59	5.000%	3.750%	-7 bps
18	4,455	$109.34	5.000%	3.890%	-6 bps
19	5,195	$108.10	5.000%	4.030%	-5 bps
20	6,000	$107.06	5.000%	4.150%	-3 bps
21	6,865	$106.11	5.000%	4.260%	2 bps
22	7,790	$105.60	5.000%	4.320%	3 bps
23	8,790	$105.34	5.000%	4.350%	1 bps
24					
25	20,820	$97.67	4.375%	4.530%	14 bps
26					
27	25,485	$96.82	4.375%	4.580%	16 bps
28					
29	30,815	$98.08	4.500%	4.620%	18 bps
30					
31	36,930	$97.86	4.500%	4.630%	18 bps

Source: Bloomberg and Ipreo as of 8/5/2026

Recent Comparable Pricing Results - Exercise

Issuer:	California Water Issuer					California City Issuer					California Water Issuer				
Series:	WaterRevenue Bonds, Series 2026					Certificates of Participation, Series 2026 (Police and Fire Facilities)					Senior Water Revenue Bonds, Series 2026				
Security:	Water & Sewer/Revenue					COP/Lease					Water & Sewer/Revenue				
Sale Type:	Tax Exempt (Negotiated)					Tax Exempt (Negotiated)					Tax Exempt (Negotiated)				
Underwriter:															
Financial Advisor															
Par Amount:	$100,990,000					$76,105,000					$427,110,000				
Sale Date:	7/8/2026					7/7/2026					7/1/2026				
Last Call Date:	8/1/2036 @ 100 (10.2 Yrs)					5/1/2036 @ 100 (9.9 Yrs)					8/1/2036 @ 100 (10.2 Yrs)				
Underlying Ratings:	-/AA+/-					-/AA/-					Aa3/-/AA-				
Insured Ratings:	-/-/-					-/-/-					-/-/-				
Maturity Year (TSY)	Par (M)	Price	Coupon	Yield	BVAL Sprd	Par (M)	Price	Coupon	Yield	BVAL Sprd	Par (M)	Price	Coupon	Yield	BVAL Sprd
<1															
1											34,180	$102.87	5.000%	2.210%	-8 bps
2											35,925	$105.45	5.000%	2.260%	-7 bps
3						3,080	$106.91	5.000%	2.410%	2 bps	21,650	$107.78	5.000%	2.340%	-6 bps
4						1,335	$109.10	5.000%	2.460%	-1 bps	22,770	$109.97	5.000%	2.400%	-8 bps
5						1,405	$110.95	5.000%	2.550%	1 bps	23,930	$111.94	5.000%	2.470%	-8 bps
6	2,140	$113.84	5.000%	2.510%	-17 bps	1,470	$112.67	5.000%	2.620%	1 bps	28,445	$113.65	5.000%	2.550%	-7 bps
7	2,250	$115.46	5.000%	2.580%	-18 bps	1,545	$114.22	5.000%	2.690%	0 bps	19,615	$115.36	5.000%	2.600%	-10 bps
8	2,365	$116.57	5.000%	2.690%	-11 bps	1,625	$115.42	5.000%	2.780%	4 bps	20,605	$116.77	5.000%	2.670%	-7 bps
9	2,485	$117.79	5.000%	2.760%	-13 bps	1,705	$116.42	5.000%	2.870%	6 bps	21,660	$117.82	5.000%	2.760%	-6 bps
10	2,615	$118.73	5.000%	2.840%	-13 bps	1,790	$117.29	5.000%	2.950%	6 bps	22,770	$118.28	5.000%	2.890%	-1 bps
11	2,750	$117.77	5.000%	2.940%	-10 bps	1,885	$116.19	5.000%	3.070%	10 bps	23,700	$117.43	5.000%	2.980%	0 bps
12	2,890	$116.73	5.000%	3.050%	-9 bps	1,975	$115.18	5.000%	3.180%	13 bps	25,000	$116.48	5.000%	3.080%	2 bps
13	3,040	$115.70	5.000%	3.160%	-4 bps	2,065	$114.55	5.000%	3.250%	13 bps	23,085	$115.55	5.000%	3.180%	7 bps
14	3,195	$115.15	5.000%	3.220%	0 bps	2,180	$113.74	5.000%	3.340%	20 bps	5,060	$114.99	5.000%	3.240%	11 bps
15	3,360	$114.59	5.000%	3.280%	2 bps	2,285	$113.03	5.000%	3.420%	24 bps	5,325	$114.53	5.000%	3.290%	12 bps
16	3,530	$113.86	5.000%	3.360%	1 bps	2,400	$112.41	5.000%	3.490%	23 bps	5,600	$113.98	5.000%	3.350%	9 bps
17	3,710	$113.13	5.000%	3.440%	0 bps	2,520	$111.79	5.000%	3.560%	22 bps	5,885	$112.88	5.000%	3.470%	12 bps
18	3,900	$112.32	5.000%	3.530%	-2 bps	2,650	$111.01	5.000%	3.650%	21 bps	6,185	$111.98	5.000%	3.570%	11 bps
19	4,100	$111.43	5.000%	3.630%	-4 bps	2,775	$110.32	5.000%	3.730%	16 bps	6,505	$111.27	5.000%	3.650%	6 bps
20	4,310	$110.28	5.000%	3.760%	-3 bps	2,920	$109.20	5.000%	3.860%	17 bps	4,850	$110.12	5.000%	3.780%	7 bps
21						3,055	$108.44	5.000%	3.950%	17 bps	5,095	$109.24	5.000%	3.880%	9 bps
22															
23															
24															
25	24,465	$97.07	4.000%	4.190%	12 bps	13,855	$106.93	5.000%	4.130%	13 bps	25,000	$107.86	5.000%	4.040%	5 bps
26															
27															
28															
29															
30	29,885	$94.97	4.000%	4.300%	12 bps	21,585	$105.37	5.000%	4.320%	21 bps	34,270	$106.58	5.000%	4.190%	10 bps

Source: Bloomberg and Ipreo as of 8/5/2026

Recent Comparable Pricing Results – Exercise (Continued)

California Water District (Aa1/AA+) - Series 2026 Pricing Worksheet

pfm

Year		Term	Avg Life	Principal	Coupon	5% CPN / 9.7 yr PC Scale Re-Offer Yield	Yield to Call	Yield to Maturity	Price	Credit Spread	Benchmark 7/9/2026	Year	Recent Comparable Pricing Results Spread
4/1/2027	0.6			$ 3,380,000	5.000%	2.31%			101.700		2.31%	1	
4/1/2028	1.6			$ 3,020,000	5.000%	2.35%			104.240		2.35%		
4/1/2029	2.6			$ 3,170,000	5.000%	2.43%			106.534		2.43%		
4/1/2030	3.6			$ 3,330,000	5.000%	2.51%			108.610		2.51%		
4/1/2031	4.6			$ 7,930,000	5.000%	2.58%			110.519		2.58%	5	
4/1/2032	5.6			$ 8,335,000	5.000%	2.66%			112.180		2.66%		
4/1/2033	6.6			$ 8,345,000	5.000%	2.74%			113.635		2.74%		
4/1/2034	7.6			$ 8,350,000	5.000%	2.79%			115.111		2.79%		
4/1/2035	8.6			$ 8,900,000	5.000%	2.86%			116.279		2.86%		
4/1/2036	9.6			$ 8,925,000	5.000%	2.95%			117.090		2.95%	10	
4/1/2037	10.6			$ 9,000,000	5.000%	3.02%		3.17%	116.451		3.02%		
4/1/2038	11.6			$ 7,500,000	5.000%	3.11%		3.37%	115.636		3.11%		
4/1/2039	12.6			$ 5,155,000	5.000%	3.19%		3.53%	114.917		3.19%		
4/1/2040	13.6			$ 5,415,000	5.000%	3.22%		3.63%	114.649		3.22%		
4/1/2041	14.6			$ 5,685,000	5.000%	3.25%		3.72%	114.381		3.25%	15	
4/1/2042	15.6			$ 5,975,000	5.000%	3.32%		3.82%	113.760		3.32%		
4/1/2043	16.6			$ 6,270,000	5.000%	3.41%		3.93%	112.967		3.41%		
4/1/2044	17.6			$ 6,585,000	5.000%	3.51%		4.03%	112.094		3.51%		
4/1/2045	18.6			$ 6,915,000	5.000%	3.63%		4.14%	111.057		3.63%		
4/1/2046	19.6			$ 7,260,000	5.000%	3.75%		4.24%	110.031		3.75%	20	
4/1/2047	20.6	1		$ 7,300,000							3.85%		
4/1/2048	21.6	1		$ 7,350,000							3.92%		
4/1/2049	22.6	1		$ 7,400,000							3.97%		
4/1/2050	23.6	1		$ 7,450,000							4.02%		
4/1/2051	24.6	1	22.7 yrs	$ 7,500,000	5.000%	4.06%		4.50%	107.433		4.06%		
4/1/2052	25.6	2		$ 7,550,000							4.09%		
4/1/2053	26.6	2		$ 7,600,000							4.11%		
4/1/2054	27.6	2		$ 7,650,000							4.14%		
4/1/2055	28.6	2		$ 7,700,000							4.16%		
4/1/2056	29.6	2	27.7 yrs	$ 7,750,000	5.000%	4.18%		4.60%	106.447		4.18%	30	

Total Par $ 204,695,000
Avg Life 16.0 years
PV01 $ 166,604

Call Date: 4/1/2036

Source: Bloomberg as of 8/4/2026

- **Based Recent Comparable Pricing Results.**
- **Enter in the Spreads that you think our Primary Issue Example should clear the market.**
- **Start with Spots on the Curve (ie 1, 5, 10, 15, 20, 30 Year Tenors)**
- **Does the recent Primary Market activity change your initial spread thoughts?**

SECONDARY TRADE ACTIVITY

Secondary Trade Activity - Example

Recent California Trades

Maturity	Issuer	State	Sector	Underlying	Ins/Enh	Tax Status	Trade Date	Par Amount	Price	Coupon	Yield	BVAL Spread to Trade Tin
2027	San Diego City Public Facilities Financ	CA	Water & Sewer	-/AA/AA		Tax Exempt	7/07/26	$1,000,000	102.35	5.00%	2.20%	-7 bps
2029	Trustees of The California State Univer	CA	Higher Education	Aa2/AA-/-		Tax Exempt	7/07/26	$680,000	108.60	5.00%	2.29%	-12 bps
2030	Los Angeles Community College Distr	CA	Higher Education	Aaa/AA+/-		Tax Exempt	7/08/26	$2,000,000	110.42	5.00%	2.30%	-21 bps
2030	Los Angeles Community College Distr	CA	Higher Education	Aaa/AA+/-		Tax Exempt	7/08/26	$2,000,000	110.43	5.00%	2.30%	-21 bps
2030	City of Bakersfield (CA)	CA	Water & Sewer	-/AA/-		Tax Exempt	7/08/26	$630,000	110.72	5.00%	2.30%	-25 bps
2030	City of Bakersfield (CA)	CA	Water & Sewer	-/AA/-		Tax Exempt	7/08/26	$630,000	110.75	5.00%	2.29%	-25 bps
2031	The Metropolitan Water District of Sou	CA	Water & Sewer	-/AAA/AA+		Tax Exempt	7/07/26	$525,000	106.41	5.00%	2.32%	-21 bps
2031	The Metropolitan Water District of Sou	CA	Water & Sewer	-/AAA/AA+		Tax Exempt	7/07/26	$525,000	106.47	5.00%	2.30%	-25 bps
2031	The Metropolitan Water District of Sou	CA	Water & Sewer	-/AAA/AA+		Tax Exempt	7/07/26	$525,000	106.55	5.00%	2.27%	-28 bps
2031	San Diego Community College (CA)	CA	Higher Education	Aa1/AAA/-		Tax Exempt	7/07/26	$2,345,000	100.16	5.00%	2.52%	-4 bps
2031	San Diego Community College (CA)	CA	Higher Education	Aa1/AAA/-		Tax Exempt	7/08/26	$2,350,000	100.16	5.00%	2.36%	-23 bps
2031	California Department of Water Resou	CA	Water & Sewer	Aa1/AAA/-		Tax Exempt	7/07/26	$510,000	113.14	5.00%	2.39%	-19 bps
2034	California Health Facilities Financing A	CA	Hospitals	-/AA-/AA		Tax Exempt	7/07/26	$660,000	115.26	5.00%	2.70%	-5 bps
2036	San Diego City Public Facilities Financ	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/07/26	$3,500,000	118.76	5.00%	2.84%	-8 bps
2036	City of Riverside (CA)	CA	Water & Sewer	Aa3/AA-/-		Tax Exempt	7/08/26	$3,750,000	117.32	5.00%	2.82%	-11 bps
2037	Los Angeles Community College Distr	CA	Higher Education	Aaa/AA+/-		Tax Exempt	7/07/26	$2,850,000	117.48	5.00%	2.98%	1 bps
2037	San Diego City Public Facilities Financ	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/07/26	$2,500,000	117.71	5.00%	2.95%	-2 bps
2038	Los Angeles Community College Distr	CA	Higher Education	Aaa/AA+/-		Tax Exempt	7/07/26	$2,820,000	116.91	5.00%	3.04%	-1 bps
2038	Los Angeles Community College Distr	CA	Higher Education	Aaa/AA+/-		Tax Exempt	7/08/26	$2,000,000	116.88	5.00%	3.04%	-4 bps
2038	San Diego City Public Facilities Financ	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/07/26	$2,500,000	116.76	5.00%	3.05%	0 bps
2040	The Regents of the University of Califo	CA	Higher Education	Aa2/AA/AA		Tax Exempt	7/08/26	$5,000,000	119.80	5.25%	3.44%	28 bps
2040	California Statewide Communities Dev	CA	Hospitals	-/A/A		Tax Exempt	7/07/26	$4,400,000	113.88	5.25%	3.34%	20 bps
2041	Mount San Antonio Community College	CA	Higher Education	Aa1/AA/-		Tax Exempt	7/08/26	$595,000	112.70	5.00%	3.20%	0 bps
2042	Los Angeles Community College Distr	CA	Higher Education	Aaa/AA+/-		Tax Exempt	7/07/26	$2,000,000	120.37	5.00%	3.35%	10 bps
2043	East Bay Municipal Utility District (CA)	CA	Water & Sewer	Aa1/AAA/-		Tax Exempt	7/07/26	$850,000	114.52	5.00%	3.27%	-6 bps
2043	City of San Diego (CA)	CA	Water & Sewer	A1/-/AA-		Tax Exempt	7/07/26	$1,880,000	103.46	5.00%	3.25%	-9 bps
2043	City of San Diego (CA)	CA	Water & Sewer	A1/-/AA-		Tax Exempt	7/07/26	$1,880,000	103.57	5.00%	3.20%	-14 bps
2044	Chabot-Las Positas Community Colleg	CA	Higher Education	Aa2/AA/-		Tax Exempt	7/07/26	$150,000	112.99	5.00%	3.46%	-1 bps
2044	Chabot-Las Positas Community Colleg	CA	Higher Education	Aa2/AA/-		Tax Exempt	7/08/26	$150,000	114.99	5.00%	3.24%	-24 bps
2045	The Metropolitan Water District of Sou	CA	Water & Sewer	-/AAA/AA+		Tax Exempt	7/07/26	$2,450,000	104.73	5.00%	3.44%	-15 bps
2045	The Metropolitan Water District of Sou	CA	Water & Sewer	-/AAA/AA+		Tax Exempt	7/07/26	$2,450,000	104.85	5.00%	3.40%	-19 bps
2048	Chabot-Las Positas Community Colleg	CA	Higher Education	Aa2/AA/-		Tax Exempt	7/07/26	$500,000	108.76	5.00%	3.94%	6 bps
2048	Chabot-Las Positas Community Colleg	CA	Higher Education	Aa2/AA/-		Tax Exempt	7/07/26	$500,000	108.82	5.00%	3.93%	6 bps
2048	California Department of Water Resou	CA	Water & Sewer	Aa1/AA+/-		Tax Exempt	7/08/26	$1,000,000	108.49	5.00%	3.91%	0 bps
2048	California Department of Water Resou	CA	Water & Sewer	Aa1/AA+/-		Tax Exempt	7/08/26	$1,000,000	108.50	5.00%	3.91%	-1 bps
2050	Mount San Antonio Community Colleg	CA	Higher Education	Aa1/AA/-		Tax Exempt	7/07/26	$2,480,000	107.57	5.00%	4.00%	2 bps
2050	Mount San Antonio Community Colleg	CA	Higher Education	Aa1/AA/-		Tax Exempt	7/07/26	$2,480,000	107.70	5.00%	3.98%	0 bps
2051	The Metropolitan Water District of Sou	CA	Water & Sewer	Aa1/AAA/-		Tax Exempt	7/07/26	$2,500,000	104.52	5.00%	3.94%	-4 bps
2053	Trustees of The California State Univer	CA	Higher Education	Aa2/AA-/-		Tax Exempt	7/08/26	$500,000	107.06	5.25%	4.12%	0 bps
2053	Trustees of The California State Univer	CA	Higher Education	Aa2/AA-/-		Tax Exempt	7/08/26	$2,045,000	106.99	5.25%	4.13%	3 bps
2053	Trustees of The California State Univer	CA	Higher Education	Aa2/AA-/-		Tax Exempt	7/08/26	$2,045,000	107.06	5.25%	4.12%	0 bps
2054	Public Utilities Commission of the City	CA	Water & Sewer	Aa2/AA/-		Tax Exempt	7/07/26	$1,000,000	95.64	4.00%	4.27%	19 bps
2054	Public Utilities Commission of the City	CA	Water & Sewer	Aa2/AA/-		Tax Exempt	7/07/26	$1,555,000	106.11	5.00%	4.12%	4 bps
2055	Glendale Community College District (	CA	Higher Education	Aa2/AA-/-		Tax Exempt	7/08/26	$200,000	107.51	5.00%	4.00%	-14 bps
2055	San Diego Community College District	CA	Higher Education	Aa1/AAA/-		Tax Exempt	7/08/26	$5,000,000	106.60	5.00%	4.12%	3 bps
2055	San Joaquin Delta Community College	CA	Higher Education	Aa2/-/-		Tax Exempt	7/08/26	$790,000	106.78	5.00%	4.17%	1 bps
2056	San Diego City Public Facilities Financ	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/08/26	$2,600,000	106.84	5.00%	4.16%	-2 bps

Source: MSRB and Bloomberg (July 2026)

Secondary Trade Activity - Exercise

Recent California Water Trades

Maturity	Issuer	State	Sector	Underlying	Ins/Enh	Tax Status	Trade Date	Par Amount	Price	Coupon	Yield	BVAL Spread to Trade Tim
2027	San Diego City Public Facilities Financ	CA	Water & Sewer	-/AA/AA		Tax Exempt	7/07/26	$1,000,000	102.35	5.00%	2.20%	-7 bps
2028	San Diego County Water Authority (CA	CA	Water & Sewer	Aa3/AA+/AA+		Tax Exempt	7/06/26	$2,335,000	104.60	5.00%	2.21%	-10 bps
2029	Contra Costa Water District (CA)	CA	Water & Sewer	-/AAA/AA+		Tax Exempt	7/01/26	$980,000	108.79	5.00%	2.18%	-22 bps
2030	City of Bakersfield (CA)	CA	Water & Sewer	-/AA/-		Tax Exempt	7/08/26	$630,000	110.75	5.00%	2.29%	-25 bps
2031	The Metropolitan Water District of Sou	CA	Water & Sewer	-/AAA/AA+		Tax Exempt	7/07/26	$525,000	106.47	5.00%	2.30%	-25 bps
2031	San Diego Public Facilities Financing A	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/06/26	$500,000	109.73	5.00%	2.47%	-7 bps
2031	California Department of Water Resou	CA	Water & Sewer	Aa1/AAA/-		Tax Exempt	7/07/26	$510,000	113.11	5.00%	2.40%	-18 bps
2033	City of Los Angeles (CA)	CA	Water & Sewer	-/AA/AA+		Tax Exempt	7/06/26	$785,000	115.75	5.00%	2.50%	-17 bps
2033	City of Los Angeles (CA)	CA	Water & Sewer	-/AA/AA+		Tax Exempt	7/06/26	$785,000	115.75	5.00%	2.50%	-18 bps
2034	Public Utilities Commission of the City	CA	Water & Sewer	Aa2/AA-/-		Tax Exempt	7/06/26	$2,400,000	118.19	5.00%	2.56%	-20 bps
2036	San Diego City Public Facilities Financ	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/07/26	$3,500,000	118.57	5.00%	2.86%	-3 bps
2036	City of Riverside (CA)	CA	Water & Sewer	Aa3/AA-/-		Tax Exempt	7/08/26	$3,750,000	117.32	5.00%	2.82%	-11 bps
2037	San Diego City Public Facilities Financ	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/07/26	$2,500,000	117.71	5.00%	2.95%	-2 bps
2037	Public Utilities Commission of the City	CA	Water & Sewer	Aa2/AA-/-		Tax Exempt	7/01/26	$500,000	113.34	5.00%	2.96%	-2 bps
2038	The Metropolitan Water District of Sou	CA	Water & Sewer	Aa1/AAA/-		Tax Exempt	7/06/26	$540,000	108.24	5.00%	2.80%	-24 bps
2038	San Diego City Public Facilities Financ	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/07/26	$2,500,000	116.76	5.00%	3.05%	0 bps
2038	The Metropolitan Water District of Sou	CA	Water & Sewer	-/AAA/AA+		Tax Exempt	7/01/26	$1,045,000	106.14	5.00%	3.00%	-6 bps
2039	San Diego City Public Facilities Financ	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/01/26	$570,000	111.77	5.00%	3.13%	4 bps
2039	San Diego City Public Facilities Financ	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/06/26	$570,000	111.94	5.00%	3.11%	0 bps
2041	Department of Water and Power of the	CA	Water & Sewer	Aa3/AA-/-		Tax Exempt	7/06/26	$3,000,000	108.84	5.00%	3.71%	55 bps
2043	East Bay Municipal Utility District (CA)	CA	Water & Sewer	Aa1/AAA/-		Tax Exempt	7/07/26	$850,000	114.52	5.00%	3.27%	-6 bps
2043	San Diego City Public Facilities Financ	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/06/26	$500,000	113.12	5.00%	3.44%	10 bps
2043	City of San Diego (CA)	CA	Water & Sewer	A1/-/AA-		Tax Exempt	7/07/26	$1,880,000	103.46	5.00%	3.25%	-9 bps
2045	The Metropolitan Water District of Sou	CA	Water & Sewer	-/AAA/AA+		Tax Exempt	7/07/26	$2,450,000	104.73	5.00%	3.44%	-15 bps
2048	California Department of Water Resou	CA	Water & Sewer	Aa1/AA+/-		Tax Exempt	7/08/26	$1,000,000	108.49	5.00%	3.91%	0 bps
2051	San Diego City Public Facilities Financ	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/06/26	$1,000,000	108.28	5.00%	3.99%	1 bps
2051	The Metropolitan Water District of Sou	CA	Water & Sewer	Aa1/AAA/-		Tax Exempt	7/07/26	$2,500,000	104.52	5.00%	3.94%	-4 bps
2054	Public Utilities Commission of the City	CA	Water & Sewer	Aa2/AA/-		Tax Exempt	7/07/26	$1,555,000	106.11	5.00%	4.12%	4 bps
2055	East Bay Municipal Utility District (CA)	CA	Water & Sewer	Aa1/AAA/-		Tax Exempt	7/01/26	$1,030,000	98.49	4.00%	4.09%	10 bps
2055	Public Utilities Commission of the City	CA	Water & Sewer	Aa2/AA-/-		Tax Exempt	7/06/26	$1,000,000	109.91	5.25%	3.97%	-10 bps
2056	San Diego City Public Facilities Financ	CA	Water & Sewer	Aa3/-/AA-		Tax Exempt	7/06/26	$1,300,000	107.01	5.00%	4.14%	5 bps
2056	California Department of Water Resou	CA	Water & Sewer	Aa1/AA+/-		Tax Exempt	7/01/26	$2,500,000	106.89	5.00%	4.11%	3 bps

Source: MSRB and Bloomberg (July 2026)

Secondary Trade Activity – Exercise
(Continued)

California Water District (Aa1/AA+) - Series 2026 Pricing Worksheet

pfm

Year		Term	Avg Life	Principal	Coupon	5% CPN / 9.7 yr PC Scale Re-Offer Yield	Yield to Call	Yield to Maturity	Price	Credit Spread	Benchmark 7/9/2026
4/1/2027	0.6			$ 3,380,000	5.000%	2.31%			101.700		2.31%
4/1/2028	1.6			$ 3,020,000	5.000%	2.35%			104.240		2.35%
4/1/2029	2.6			$ 3,170,000	5.000%	2.43%			106.534		2.43%
4/1/2030	3.6			$ 3,330,000	5.000%	2.51%			108.610		2.51%
4/1/2031	4.6			$ 7,930,000	5.000%	2.58%			110.519		2.58%
4/1/2032	5.6			$ 8,335,000	5.000%	2.66%			112.180		2.66%
4/1/2033	6.6			$ 8,345,000	5.000%	2.74%			113.635		2.74%
4/1/2034	7.6			$ 8,350,000	5.000%	2.79%			115.111		2.79%
4/1/2035	8.6			$ 8,900,000	5.000%	2.86%			116.279		2.86%
4/1/2036	9.6			$ 8,925,000	5.000%	2.95%			117.090		2.95%
4/1/2037	10.6			$ 9,000,000	5.000%	3.02%		3.17%	116.451		3.02%
4/1/2038	11.6			$ 7,500,000	5.000%	3.11%		3.37%	115.636		3.11%
4/1/2039	12.6			$ 5,155,000	5.000%	3.19%		3.53%	114.917		3.19%
4/1/2040	13.6			$ 5,415,000	5.000%	3.22%		3.63%	114.649		3.22%
4/1/2041	14.6			$ 5,685,000	5.000%	3.25%		3.72%	114.381		3.25%
4/1/2042	15.6			$ 5,975,000	5.000%	3.32%		3.82%	113.760		3.32%
4/1/2043	16.6			$ 6,270,000	5.000%	3.41%		3.93%	112.967		3.41%
4/1/2044	17.6			$ 6,585,000	5.000%	3.51%		4.03%	112.094		3.51%
4/1/2045	18.6			$ 6,915,000	5.000%	3.63%		4.14%	111.057		3.63%
4/1/2046	19.6			$ 7,260,000	5.000%	3.75%		4.24%	110.031		3.75%
4/1/2047	20.6	1		$ 7,300,000							3.85%
4/1/2048	21.6	1		$ 7,350,000							3.92%
4/1/2049	22.6	1		$ 7,400,000							3.97%
4/1/2050	23.6	1		$ 7,450,000							4.02%
4/1/2051	24.6	1	22.7 yrs	$ 7,500,000	5.000%	4.06%		4.50%	107.433		4.06%
4/1/2052	25.6	2		$ 7,550,000							4.09%
4/1/2053	26.6	2		$ 7,600,000							4.11%
4/1/2054	27.6	2		$ 7,650,000							4.14%
4/1/2055	28.6	2		$ 7,700,000							4.16%
4/1/2056	29.6	2	27.7 yrs	$ 7,750,000	5.000%	4.18%		4.60%	106.447		4.18%

Total Par	$ 204,695,000
Avg Life	16.0 years
PV01	$ 166,604

Call Date: 4/1/2036

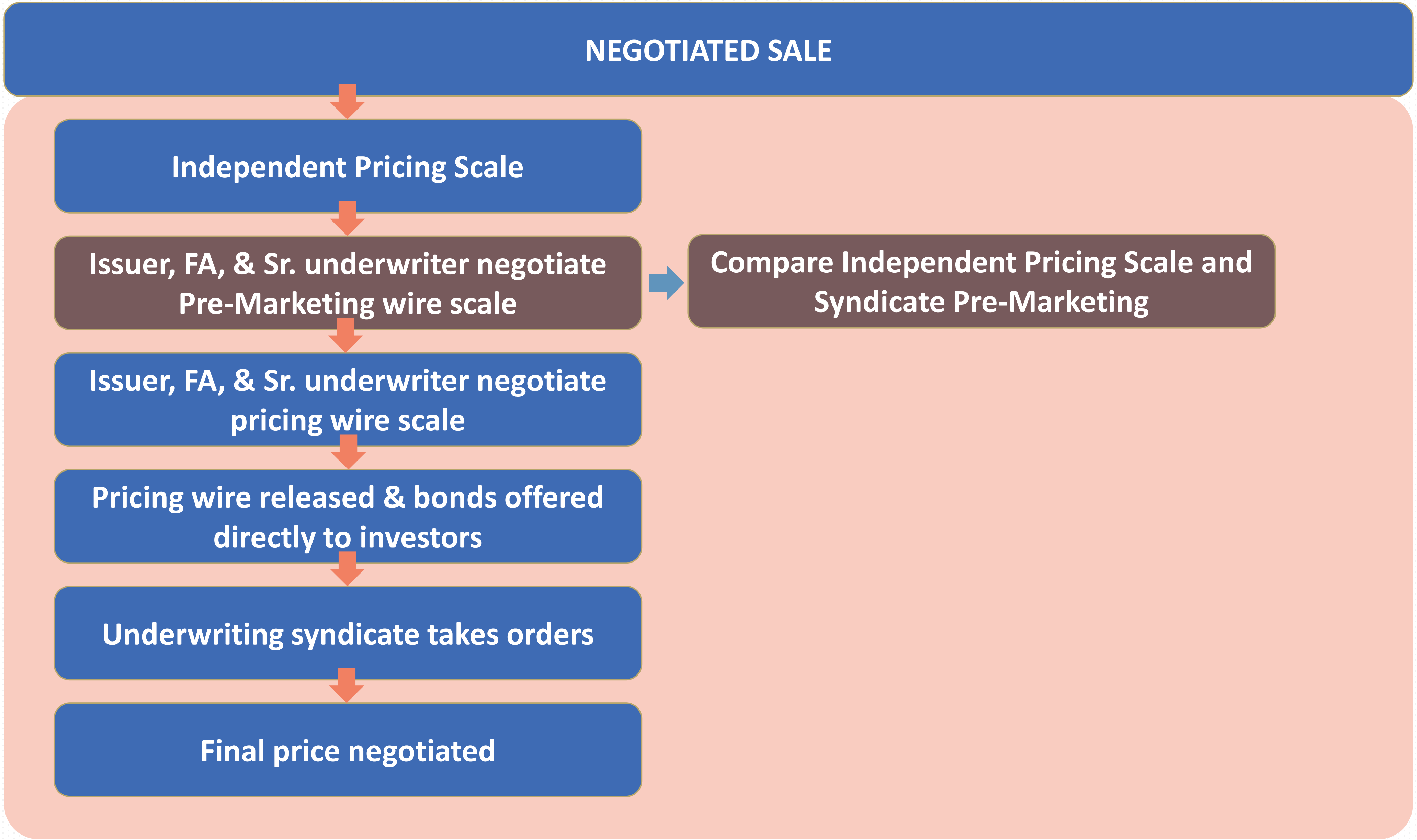
Year	Secondary Trade Activity Spread
1	
5	
10	
15	
20	
30	

Source: Bloomberg as of 8/4/2026

- Based Recent Secondary Trade Activity
- Enter in the Spreads that you think our Primary Issue Example should clear the market
- Start with Spots on the Curve (ie 1, 5, 10, 15, 20, 30 Year Tenors)
- Does the recent Secondary Trade activity change your initial spread thoughts?

PRE-MARKETING

Negotiated Sale Process



Price Views

Maturity	Consensus	Lead Underwriter	Co Senior Underwriter	Co Senior Underwriter	Co Managing Underwriter	Co Managing Underwriter	Co Managing Underwriter
4/1/2027	-13 bps	-13 bps	-11 bps	-8 bps	-12 bps	-23 bps	-9 bps
4/1/2028	-12 bps	-12 bps	-10 bps	-7 bps	-11 bps	-22 bps	-8 bps
4/1/2029	-10 bps	-10 bps	-8 bps	-5 bps	-9 bps	-20 bps	-6 bps
4/1/2030	-10 bps	-10 bps	-8 bps	-5 bps	-9 bps	-20 bps	-6 bps
4/1/2031	-10 bps	-10 bps	-8 bps	-5 bps	-9 bps	-20 bps	-6 bps
4/1/2032	-10 bps	-10 bps	-8 bps	-5 bps	-9 bps	-20 bps	-6 bps
4/1/2033	-13 bps	-13 bps	-11 bps	-8 bps	-12 bps	-23 bps	-9 bps
4/1/2034	-6 bps	-6 bps	-4 bps	-1 bps	-5 bps	-16 bps	-2 bps
4/1/2035	-10 bps	-10 bps	-8 bps	-5 bps	-9 bps	-20 bps	-6 bps
4/1/2036	-11 bps	-11 bps	-9 bps	-6 bps	-10 bps	-21 bps	-7 bps
4/1/2037	-8 bps	-8 bps	-6 bps	-3 bps	-7 bps	-18 bps	-4 bps
4/1/2038	-7 bps	-7 bps	-5 bps	-2 bps	-6 bps	-17 bps	-3 bps
4/1/2039	-2 bps	-2 bps	0 bps	3 bps	-1 bps	-12 bps	2 bps
4/1/2040	3 bps	3 bps	5 bps	8 bps	4 bps	-7 bps	7 bps
4/1/2041	6 bps	6 bps	8 bps	11 bps	7 bps	-4 bps	10 bps
4/1/2042	6 bps	6 bps	8 bps	11 bps	7 bps	-4 bps	10 bps
4/1/2043	6 bps	6 bps	8 bps	11 bps	7 bps	-4 bps	10 bps
4/1/2044	5 bps	5 bps	7 bps	10 bps	6 bps	-5 bps	9 bps
4/1/2045	3 bps	3 bps	5 bps	8 bps	4 bps	-7 bps	7 bps
4/1/2046	4 bps	4 bps	6 bps	9 bps	5 bps	-6 bps	8 bps
4/1/2051	3 bps	3 bps	5 bps	8 bps	4 bps	-7 bps	7 bps
4/1/2056	8 bps	8 bps	10 bps	13 bps	9 bps	-2 bps	12 bps

Example For Illustrative Purposes Only

Price Views (Continued)

Maturity	Consensus	Lead Underwriter	FA/Issuer Independent Price Thoughts	Difference	Negotiation Points
4/1/2027	-13 bps	-13 bps	-15 bps	-2 bps	
4/1/2028	-12 bps	-12 bps	-15 bps	-3 bps	
4/1/2029	-10 bps	-10 bps	-15 bps	-5 bps	✚
4/1/2030	-10 bps	-10 bps	-15 bps	-5 bps	✚
4/1/2031	-10 bps	-10 bps	-15 bps	-5 bps	✚
4/1/2032	-10 bps	-10 bps	-17 bps	-7 bps	✚
4/1/2033	-13 bps	-13 bps	-18 bps	-5 bps	✚
4/1/2034	-6 bps	-6 bps	-15 bps	-9 bps	✚
4/1/2035	-10 bps	-10 bps	-13 bps	-3 bps	
4/1/2036	-11 bps	-11 bps	-13 bps	-2 bps	
4/1/2037	-8 bps	-8 bps	-10 bps	-2 bps	
4/1/2038	-7 bps	-7 bps	-9 bps	-2 bps	
4/1/2039	-2 bps	-2 bps	-4 bps	-2 bps	
4/1/2040	3 bps	3 bps	0 bps	-3 bps	
4/1/2041	6 bps	6 bps	2 bps	-4 bps	✚
4/1/2042	6 bps	6 bps	1 bps	-5 bps	✚
4/1/2043	6 bps	6 bps	0 bps	-6 bps	✚
4/1/2044	5 bps	5 bps	-2 bps	-7 bps	✚
4/1/2045	4 bps	4 bps	-3 bps	-7 bps	✚
4/1/2046	4 bps	4 bps	-3 bps	-7 bps	✚
4/1/2051	3 bps	3 bps	-5 bps	-8 bps	✚
4/1/2056	8 bps	8 bps	0 bps	-8 bps	✚

Example For Illustrative Purposes Only

- **Negotiation of Pre-Marketing Levels begins by comparing Independently developed price thoughts to the Syndicate Price views**
- **Identify areas where there is a moderate to large difference in viewpoint as starting negotiation points to focus**

Pre-Marketing Negotiation

Maturity	Consensus	Lead Underwriter	FA/Issuer Independent Price Thoughts	Difference	Negotiated Pre-Marketing	Difference to Negotiated Pre-Marketing
4/1/2027	-13 bps	-13 bps	-15 bps	-2 bps	-13 bps	-2 bps
4/1/2028	-12 bps	-12 bps	-15 bps	-3 bps	-12 bps	-3 bps
4/1/2029	-10 bps	-10 bps	-15 bps	-5 bps	-12 bps	-3 bps
4/1/2030	-10 bps	-10 bps	-15 bps	-5 bps	-12 bps	-3 bps
4/1/2031	-10 bps	-10 bps	-15 bps	-5 bps	-12 bps	-3 bps
4/1/2032	-10 bps	-10 bps	-17 bps	-7 bps	-14 bps	-3 bps
4/1/2033	-13 bps	-13 bps	-18 bps	-5 bps	-15 bps	-3 bps
4/1/2034	-6 bps	-6 bps	-15 bps	-9 bps	-10 bps	-5 bps
4/1/2035	-10 bps	-10 bps	-13 bps	-3 bps	-10 bps	-3 bps
4/1/2036	-11 bps	-11 bps	-13 bps	-2 bps	-11 bps	-2 bps
4/1/2037	-8 bps	-8 bps	-10 bps	-2 bps	-8 bps	-2 bps
4/1/2038	-7 bps	-7 bps	-9 bps	-2 bps	-7 bps	-2 bps
4/1/2039	-2 bps	-2 bps	-4 bps	-2 bps	-2 bps	-2 bps
4/1/2040	3 bps	3 bps	0 bps	-3 bps	3 bps	-3 bps
4/1/2041	6 bps	6 bps	2 bps	-4 bps	3 bps	-1 bps
4/1/2042	6 bps	6 bps	1 bps	-5 bps	5 bps	-4 bps
4/1/2043	6 bps	6 bps	0 bps	-6 bps	4 bps	-4 bps
4/1/2044	5 bps	5 bps	-2 bps	-7 bps	2 bps	-4 bps
4/1/2045	4 bps	4 bps	-3 bps	-7 bps	0 bps	-3 bps
4/1/2046	4 bps	4 bps	-3 bps	-7 bps	0 bps	-3 bps
4/1/2051	3 bps	3 bps	-5 bps	-8 bps	0 bps	-5 bps
4/1/2056	8 bps	8 bps	0 bps	-8 bps	5 bps	-5 bps

Example For Illustrative Purposes Only

- **Use the Data you reviewed earlier in the exercise to support the negotiation of Pre-Marketing levels**
- **How does the Issuers Historical results, recent comparables, and secondary trading activity support your viewpoint?**
- **Negotiation can be a give and a take process, with the goal of establishing the right starting point for Pre-Marketing that participants are comfortable with**
- **Pricing is both an Art and a Science, especially with market volatility**

MARKET DATA/TONE IMPACT ON SPREADS ON DAY OF PRICING

Negotiated Sale Process

NEGOTIATED SALE

↓

Independent Pricing Scale

↓

Issuer, FA, & Sr. underwriter negotiate Pre-Marketing wire scale

↓

Issuer, FA, & Sr. underwriter negotiate pricing wire scale → Evaluate Market Conditions and Investor Feedback

↓

Pricing wire released & bonds offered directly to investors

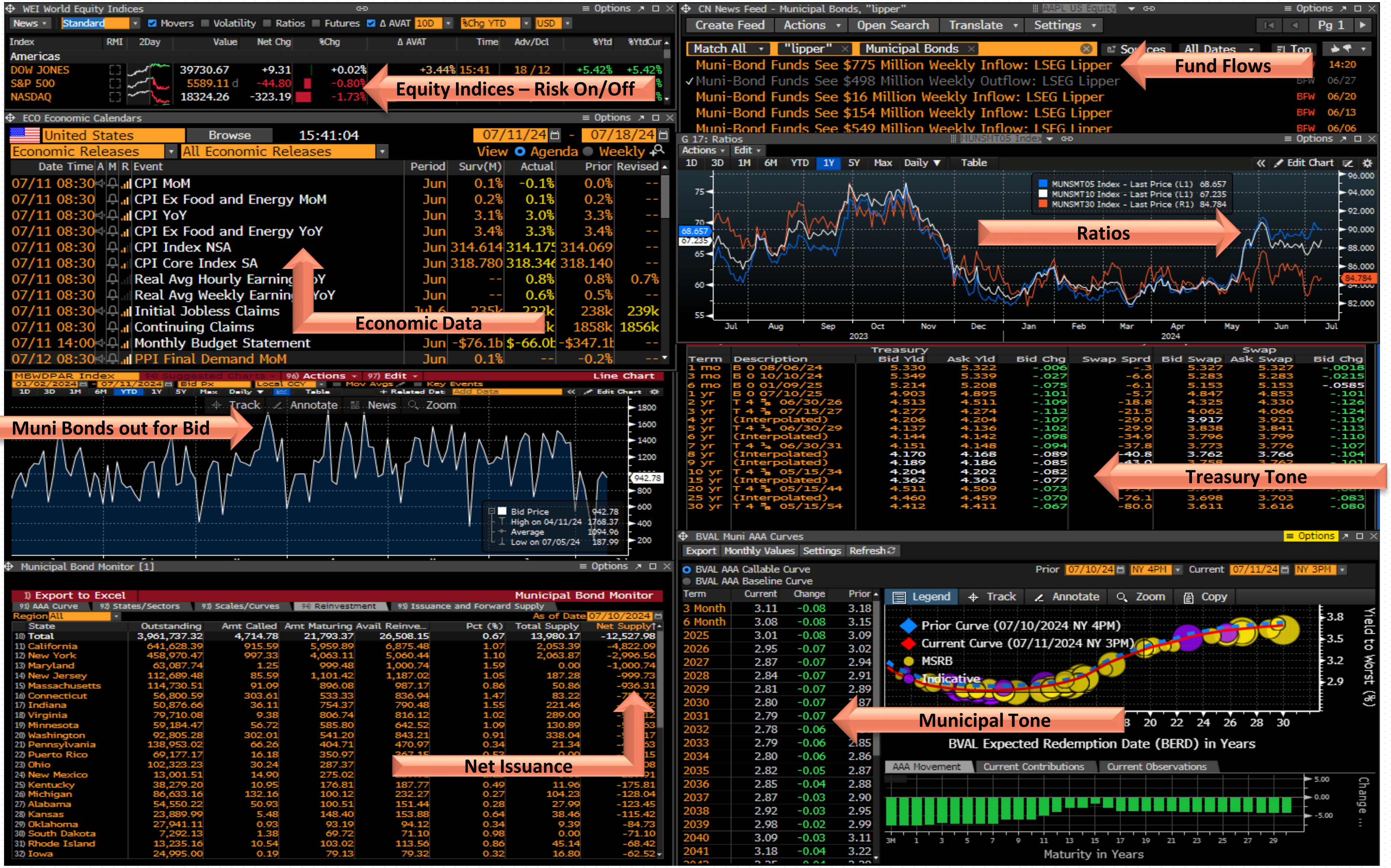
↓

Underwriting syndicate takes orders

↓

Final price negotiated

Day of Pricing Market Dynamics



Source: Bloomberg as of 7/11/2024

Market Tone - Exercise

California Water District (Aa1/AA+) - Series 2026 Pricing Worksheet

5% CPN / 9.7 yr PC Scale

Year		Term	Avg Life	Principal	Coupon	Re-Offer Yield	Yield to Call	Yield to Maturity	Price	Credit Spread	Benchmark 7/9/2026	Year	Morning Market Tone Spread
4/1/2027	0.6			$ 3,380,000	5.000%	2.31%			101.700		2.31%	1	
4/1/2028	1.6			$ 3,020,000	5.000%	2.35%			104.240		2.35%		
4/1/2029	2.6			$ 3,170,000	5.000%	2.43%			106.534		2.43%		
4/1/2030	3.6			$ 3,330,000	5.000%	2.51%			108.610		2.51%		
4/1/2031	4.6			$ 7,930,000	5.000%	2.58%			110.519		2.58%	5	
4/1/2032	5.6			$ 8,335,000	5.000%	2.66%			112.180		2.66%		
4/1/2033	6.6			$ 8,345,000	5.000%	2.74%			113.635		2.74%		
4/1/2034	7.6			$ 8,350,000	5.000%	2.79%			115.111		2.79%		
4/1/2035	8.6			$ 8,900,000	5.000%	2.86%			116.279		2.86%		
4/1/2036	9.6			$ 8,925,000	5.000%	2.95%			117.090		2.95%	10	
4/1/2037	10.6			$ 9,000,000	5.000%	3.02%		3.17%	116.451		3.02%		
4/1/2038	11.6			$ 7,500,000	5.000%	3.11%		3.37%	115.636		3.11%		
4/1/2039	12.6			$ 5,155,000	5.000%	3.19%		3.53%	114.917		3.19%		
4/1/2040	13.6			$ 5,415,000	5.000%	3.22%		3.63%	114.649		3.22%		
4/1/2041	14.6			$ 5,685,000	5.000%	3.25%		3.72%	114.381		3.25%	15	
4/1/2042	15.6			$ 5,975,000	5.000%	3.32%		3.82%	113.760		3.32%		
4/1/2043	16.6			$ 6,270,000	5.000%	3.41%		3.93%	112.967		3.41%		
4/1/2044	17.6			$ 6,585,000	5.000%	3.51%		4.03%	112.094		3.51%		
4/1/2045	18.6			$ 6,915,000	5.000%	3.63%		4.14%	111.057		3.63%		
4/1/2046	19.6			$ 7,260,000	5.000%	3.75%		4.24%	110.031		3.75%	20	
4/1/2047	20.6	1		$ 7,300,000							3.85%		
4/1/2048	21.6	1		$ 7,350,000							3.92%		
4/1/2049	22.6	1		$ 7,400,000							3.97%		
4/1/2050	23.6	1		$ 7,450,000							4.02%		
4/1/2051	24.6	1	22.7 yrs	$ 7,500,000	5.000%	4.06%		4.50%	107.433		4.06%		
4/1/2052	25.6	2		$ 7,550,000							4.09%		
4/1/2053	26.6	2		$ 7,600,000							4.11%		
4/1/2054	27.6	2		$ 7,650,000							4.14%		
4/1/2055	28.6	2		$ 7,700,000							4.16%		
4/1/2056	29.6	2	27.7 yrs	$ 7,750,000	5.000%	4.18%		4.60%	106.447		4.18%	30	

Total Par	$ 204,695,000
Avg Life	16.0 years
PV01	$ 166,604

Call Date: 4/1/2036

Source: Bloomberg as of 8/4/2026

- **Based Market Data and Tone the morning of pricing.**
- **Enter in the Spreads that you think our Primary Issue Example should clear the market.**
- **Start with Spots on the Curve (ie 1, 5, 10, 15, 20, 30 Year Tenors)**
- **Does that change your initial spread thoughts?**

Pricing Wire Negotiation

Maturity	Consensus	Lead Underwriter	FA/Issuer Independent Price Thoughts	Difference	Negotiated Pre-Marketing	Difference to Negotiated Pre-Marketing	Release Levels	Difference to Release
4/1/2027	-13 bps	-13 bps	-15 bps	-2 bps	-13 bps	-2 bps	-16 bps	1 bps
4/1/2028	-12 bps	-12 bps	-15 bps	-3 bps	-12 bps	-3 bps	-15 bps	0 bps
4/1/2029	-10 bps	-10 bps	-15 bps	-5 bps	-12 bps	-3 bps	-15 bps	0 bps
4/1/2030	-10 bps	-10 bps	-15 bps	-5 bps	-12 bps	-3 bps	-15 bps	0 bps
4/1/2031	-10 bps	-10 bps	-15 bps	-5 bps	-12 bps	-3 bps	-15 bps	0 bps
4/1/2032	-10 bps	-10 bps	-17 bps	-7 bps	-14 bps	-3 bps	-17 bps	0 bps
4/1/2033	-13 bps	-13 bps	-18 bps	-5 bps	-15 bps	-3 bps	-18 bps	0 bps
4/1/2034	-6 bps	-6 bps	-15 bps	-9 bps	-10 bps	-5 bps	-13 bps	-2 bps
4/1/2035	-10 bps	-10 bps	-13 bps	-3 bps	-10 bps	-3 bps	-13 bps	0 bps
4/1/2036	-11 bps	-11 bps	-13 bps	-2 bps	-11 bps	-2 bps	-14 bps	1 bps
4/1/2037	-8 bps	-8 bps	-10 bps	-2 bps	-8 bps	-2 bps	-11 bps	1 bps
4/1/2038	-7 bps	-7 bps	-9 bps	-2 bps	-7 bps	-2 bps	-10 bps	1 bps
4/1/2039	-2 bps	-2 bps	-4 bps	-2 bps	-2 bps	-2 bps	-5 bps	1 bps
4/1/2040	3 bps	3 bps	0 bps	-3 bps	3 bps	-3 bps	0 bps	0 bps
4/1/2041	6 bps	6 bps	2 bps	-4 bps	3 bps	-1 bps	0 bps	2 bps
4/1/2042	6 bps	6 bps	1 bps	-5 bps	5 bps	-4 bps	2 bps	-1 bps
4/1/2043	6 bps	6 bps	0 bps	-6 bps	4 bps	-4 bps	1 bps	-1 bps
4/1/2044	5 bps	5 bps	-2 bps	-7 bps	2 bps	-4 bps	-1 bps	-1 bps
4/1/2045	4 bps	4 bps	-3 bps	-7 bps	0 bps	-3 bps	-3 bps	0 bps
4/1/2046	4 bps	4 bps	-3 bps	-7 bps	0 bps	-3 bps	-3 bps	0 bps
4/1/2051	3 bps	3 bps	-5 bps	-8 bps	0 bps	-5 bps	-3 bps	-2 bps
4/1/2056	8 bps	8 bps	0 bps	-8 bps	5 bps	-5 bps	2 bps	-2 bps

Example For Illustrative Purposes Only

RELEASE PRICING WIRE AND TAKE ORDERS

Negotiated Sale Process

NEGOTIATED SALE

Independent Pricing Scale

Issuer, FA, & Sr. underwriter negotiate Pre-Marketing wire scale

Issuer, FA, & Sr. underwriter negotiate pricing wire scale

Pricing wire released & bonds offered directly to investors

Underwriting syndicate takes orders

Review Orders and Independently Develop Reprice Thoughts

Final price negotiated

Pricing Wire

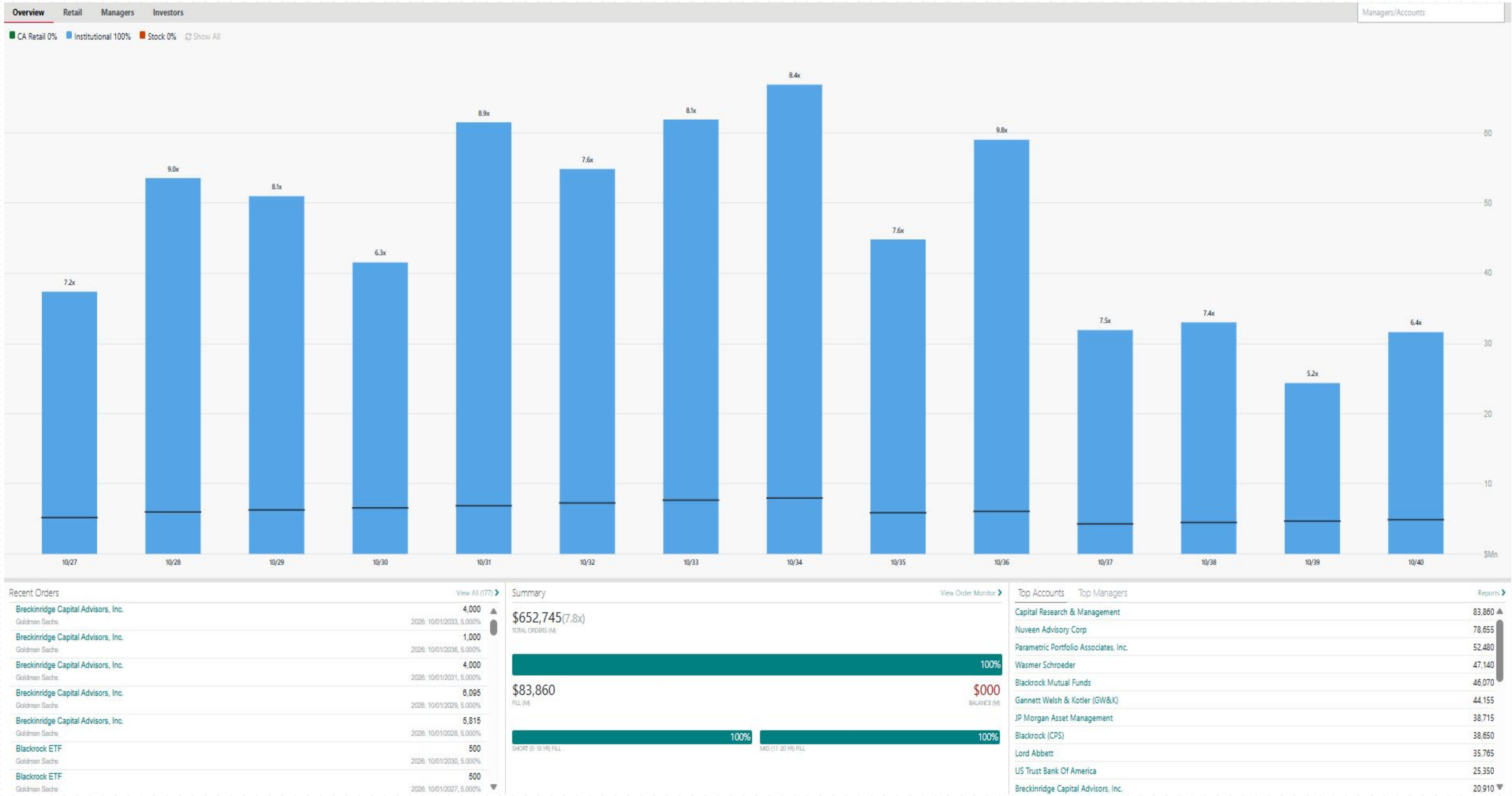
Initial Pricing Wire

```
MATURITY        AMOUNT*    COUPON    PRICE ( Pts )    SPR TO 4/1
04/01/2027        3,380M     5.00%      2.15            -16
                 (Approx. $ Price 101.803)
04/01/2028        3,020M     5.00%      2.20            -15
                 (Approx. $ Price 104.487)
04/01/2029        3,170M     5.00%      2.28            -15
                 (Approx. $ Price 106.932)
04/01/2030        3,330M     5.00%      2.36            -15
                 (Approx. $ Price 109.157)
04/01/2031        7,930M     5.00%      2.43            -15
                 (Approx. $ Price 111.213)
04/01/2032        8,335M     5.00%      2.49            -17
                 (Approx. $ Price 113.131)
04/01/2033        8,345M     5.00%      2.56            -18
                 (Approx. $ Price 114.812)
04/01/2034        8,350M     5.00%      2.66            -13
                 (Approx. $ Price 116.081)
04/01/2035        8,900M     5.00%      2.73            -13
                 (Approx. $ Price 117.366)
04/01/2036        8,925M     5.00%      2.81            -14
                 (Approx. $ Price 118.380)
04/01/2037        9,000M     5.00%      2.91            -11
                 (Approx. $ Price PTC 04/01/2036 117.457  Approx. YTM 3.065)
04/01/2038        7,500M     5.00%      3.01            -10
                 (Approx. $ Price PTC 04/01/2036 116.542  Approx. YTM 3.279)
04/01/2039        5,155M     5.00%      3.14             -5
                 (Approx. $ Price PTC 04/01/2036 115.366  Approx. YTM 3.486)
04/01/2040        5,415M     5.00%      3.22             +0
                 (Approx. $ Price PTC 04/01/2036 114.649  Approx. YTM 3.629)
04/01/2041        5,685M     5.00%      3.25             +0
                 (Approx. $ Price PTC 04/01/2036 114.381  Approx. YTM 3.717)
04/01/2042        5,975M     5.00%      3.34             +2
                 (Approx. $ Price PTC 04/01/2036 113.583  Approx. YTM 3.837)
04/01/2043        6,270M     5.00%      3.42             +1
                 (Approx. $ Price PTC 04/01/2036 112.879  Approx. YTM 3.937)
04/01/2044        6,585M     5.00%      3.50             -1
                 (Approx. $ Price PTC 04/01/2036 112.181  Approx. YTM 4.028)
04/01/2045        6,915M     5.00%      3.60             -3
                 (Approx. $ Price PTC 04/01/2036 111.315  Approx. YTM 4.124)
04/01/2046        7,260M     5.00%      3.72             -3
                 (Approx. $ Price PTC 04/01/2036 110.286  Approx. YTM 4.224)

04/01/2051       37,000M     5.00%      4.03             -3
                 (Approx. $ Price PTC 04/01/2036 107.681  Approx. YTM 4.482)

04/01/2056       38,250M     5.00%      4.20             +2
                 (Approx. $ Price PTC 04/01/2036 106.283  Approx. YTM 4.609)
```

Example For Illustrative Purposes Only

- **Pricing wire is sent out to investors in order to announce the order period is open**
- **At this point, focus is on yields**
- **Yields investors can purchase the bonds are posted to the wire**
- **Spreads are can be removed from the wire**

Order Monitor



Source: Ipreo Gameday as of 8/6/2026

Order Detail

- **The Order Book should be analyzed on both as a whole, and on an individual maturity basis**
- **The Depth of the book consists of how many accounts are invested in a particular maturity**
- **The Breadth of a book consists of how many accounts are invested across maturities (strip orders)**

California Water District Series 2026 Order Detail Analysis

Series Maturity Coupon	2026 4/1/27 5.00%	2026 4/1/28 5.00%	2026 4/1/29 5.00%	2026 4/1/30 5.00%	2026 4/1/31 5.00%	2026 4/1/32 5.00%	2026 4/1/33 5.00%	2026 4/1/34 5.00%	2026 4/1/35 5.00%	2026 4/1/36 5.00%	2026 4/1/37 5.00%	2026 4/1/38 5.00%	2026 4/1/39 5.00%	2026 4/1/40 5.00%	2026 4/1/41 5.00%	2026 4/1/42 5.00%	2026 4/1/43 5.00%	2026 4/1/44 5.00%	2026 4/1/45 5.00%	2026 4/1/46 5.00%	2026 4/1/51 5.00%	2026 4/1/56 5.00%	Totals
Par	3,380	3,020	3,170	3,330	7,930	8,335	8,345	8,350	8,900	8,925	9,000	7,500	5,155	5,415	5,685	5,975	6,270	6,585	6,915	7,260	37,000	38,250	204,695
Orders	13,535	13,095	12,595	13,225	30,455	33,895	27,620	32,255	38,335	30,170	20,925	19,415	11,590	14,810	15,665	16,660	16,000	15,745	24,205	32,670	166,500	210,375	809,740
Subscription	400%	434%	397%	397%	384%	407%	331%	386%	431%	338%	233%	259%	225%	273%	276%	279%	255%	239%	350%	450%	450%	550%	396%
American Century	3380	3020	3170	3330	7930	8335	8345	8350	8900	8925										2800		14250	80735
Breckinridge Capital	3380	3020	3170	3330	7930	8335	8345	8350	8900	8925										2410			66095
Boston Company Trust	3380	3020	3170	3330	7930	8335	8345	8350	8900	8925													63685
Invesco Advisors											3965	3605	2150		3245	3195	2845					38250	57255
Vanguard		1205																	6915	7260	37000		52380
Verition	1215								4450													38250	43915
CapFinancial		1575	1350	1530																	37000		41455
Allspring Funds Mngmt																						38250	38250
Putnam Advisory																						38250	38250
Arbitrage Account																					37000		37000
JP Morgan									3505										6915	7260	13065		30745
AGP Global											3365	4340		2685	3015	2990						12935	29330
PIMCO											4430	3985		2695	3645	3650	2655	3195	3460				27715
Wells Fargo Asset Mngmt	835					3850			3680										6915	7260			22540
Chilton Investment												4170	2090	3525		3785	3070	2745		2910			22295
Franklin High Net Worth			1735							3395											16515		21645
Fiduciary Trust											4830	3315	2455			3040	4020	2800					20460
Belle Haven								4205														15890	20095
Blackrock					3170	2400														2770	11040		19380
Eagle Asset Mngmt							2585														14880		17465
Clark Capital Mngmt		1255		1705																		14300	17260
Dimensional Fund Advisors											4335		2415	2405	3055			3640					15850
KeyBank													2480	3500	2705		3410	3365					15460
Individuals	1345				3495	2640		3000															10480
Grand Total	**13535**	**13095**	**12595**	**13225**	**30455**	**33895**	**27620**	**32255**	**38335**	**30170**	**20925**	**19415**	**11590**	**14810**	**15665**	**16660**	**16000**	**15745**	**24205**	**32670**	**166500**	**210375**	**809740**

Example For Illustrative Purposes Only

Order Summary - Exercise

- **Independent Reprice thoughts should be developed based on analysis of the book**
- **Market Factors may also contribute to reprice levels**

California Water District Series 2026 Order Summary Update

Maturity	Series	Coupon	ROY	BVAL Spread	Amount	Retail	Institutional	Stock	Priority Orders	#Priority	Priority Balance	Priority Subscription	PFM Reprice
4/1/2027	2026	5.00%	2.15%	-16 bps	3,380	1,345	12,190	0	13,535	6	(10,155)	400%	
4/1/2028	2026	5.00%	2.20%	-15 bps	3,020	0	13,095	0	13,095	6	(10,075)	434%	
4/1/2029	2026	5.00%	2.28%	-15 bps	3,170	0	12,595	0	12,595	5	(9,425)	397%	
4/1/2030	2026	5.00%	2.36%	-15 bps	3,330	0	13,225	0	13,225	5	(9,895)	397%	
4/1/2031	2026	5.00%	2.43%	-15 bps	7,930	3,495	26,960	0	30,455	5	(22,525)	384%	
4/1/2032	2026	5.00%	2.49%	-17 bps	8,335	0	33,895	0	33,895	6	(25,560)	407%	
4/1/2033	2026	5.00%	2.56%	-18 bps	8,345	0	27,620	0	27,620	4	(19,275)	331%	
4/1/2034	2026	5.00%	2.66%	-13 bps	8,350	3,000	29,255	0	32,255	5	(23,905)	386%	
4/1/2035	2026	5.00%	2.73%	-13 bps	8,900	0	38,335	0	38,335	6	(29,435)	431%	
4/1/2036	2026	5.00%	2.81%	-14 bps	8,925	0	30,170	0	30,170	4	(21,245)	338%	
4/1/2037	2026	5.00%	2.91%	-11 bps	9,000	0	20,925	0	20,925	5	(11,925)	233%	
4/1/2038	2026	5.00%	3.01%	-10 bps	7,500	0	19,415	0	19,415	5	(11,915)	259%	
4/1/2039	2026	5.00%	3.14%	-5 bps	5,155	0	11,590	0	11,590	5	(6,435)	225%	
4/1/2040	2026	5.00%	3.22%	0 bps	5,415	0	14,810	0	14,810	5	(9,395)	273%	
4/1/2041	2026	5.00%	3.25%	0 bps	5,685	0	15,665	0	15,665	5	(9,980)	276%	
4/1/2042	2026	5.00%	3.34%	2 bps	5,975	0	16,660	0	16,660	5	(10,685)	279%	
4/1/2043	2026	5.00%	3.42%	1 bps	6,270	0	16,000	0	16,000	5	(9,730)	255%	
4/1/2044	2026	5.00%	3.50%	-1 bps	6,585	0	15,745	0	15,745	5	(9,160)	239%	
4/1/2045	2026	5.00%	3.60%	-3 bps	6,915	0	24,205	0	24,205	4	(17,290)	350%	-4
4/1/2046	2026	5.00%	3.72%	-3 bps	7,260	0	32,670	0	32,670	7	(25,410)	450%	
4/1/2051	2026	5.00%	4.03%	-3 bps	37,000	0	166,500	0	166,500	7	(129,500)	450%	
4/1/2056	2026	5.00%	4.20%	2 bps	38,250	0	210,375	0	210,375	8	(172,125)	550%	
Totals:					**204,695**	**7,840**	**801,900**	**0**	**809,740**	**118**	**0**	**396%**	

	Term	Change
3)	2027	-0.07
4)	2028	-0.08
5)	2029	-0.08
6)	2030	-0.09
7)	2031	-0.09
8)	2032	-0.09
9)	2033	-0.09
10)	2034	-0.09
11)	2035	-0.09
12)	2036	-0.09
13)	2037	-0.09
14)	2038	-0.09
15)	2039	-0.09
16)	2040	-0.09
17)	2041	-0.09
18)	2042	-0.09
19)	2043	-0.09
20)	2044	-0.09
21)	2045	-0.08
22)	2046	-0.08
23)	2047	-0.08
24)	2048	-0.08
25)	2049	-0.08
26)	2050	-0.08
27)	2051	-0.08
28)	2052	-0.08
29)	2053	-0.08
30)	2054	-0.08
31)	2055	-0.08
32)	2056	-0.08

Example For Illustrative Purposes Only
Source: Bloomberg as of 4/8/2026

REPRICE AND VERBAL AWARD

Negotiated Sale Process

NEGOTIATED SALE

- Independent Pricing Scale
- Issuer, FA, & Sr. underwriter negotiate Pre-Marketing wire scale
- Issuer, FA, & Sr. underwriter negotiate pricing wire scale
- Pricing wire released & bonds offered directly to investors
- Underwriting syndicate takes orders
- Final price negotiated → Compare Independent Reprice Thoughts with Proposal

Order Summary

- **Independent Reprice thoughts should be compared with the re-price offer obtained from the Underwriter**
- **Differences in viewpoint should be the negotiation points**
- **Use the Order Period data to support your negotiation of re-price levels**

California Water District Series 2026 Order Summary Update															
Maturity	Series	Coupon	ROY	BVAL Spread	Amount	Retail	Institutional	Stock	Priority Orders	#Priority	Priority Balance	Priority Subscription	PFM Reprice	UW Reprice	Difference
4/1/2027	2026	5.00%	2.15%	-16 bps	3,380	1,345	12,190	0	13,535	6	(10,155)	400%	-4	-4	0
4/1/2028	2026	5.00%	2.20%	-15 bps	3,020	0	13,095	0	13,095	6	(10,075)	434%	-4	-4	0
4/1/2029	2026	5.00%	2.28%	-15 bps	3,170	0	12,595	0	12,595	5	(9,425)	397%	-4	-3	(1)
4/1/2030	2026	5.00%	2.36%	-15 bps	3,330	0	13,225	0	13,225	5	(9,895)	397%	-4	-3	(1)
4/1/2031	2026	5.00%	2.43%	-15 bps	7,930	3,495	26,960	0	30,455	5	(22,525)	384%	-4	-3	(1)
4/1/2032	2026	5.00%	2.49%	-17 bps	8,335	2,640	31,255	0	33,895	6	(25,560)	407%	-4	-4	0
4/1/2033	2026	5.00%	2.56%	-18 bps	8,345	0	27,620	0	27,620	4	(19,275)	331%	-4	-3	(1)
4/1/2034	2026	5.00%	2.66%	-13 bps	8,350	3,000	29,255	0	32,255	5	(23,905)	386%	-4	-3	(1)
4/1/2035	2026	5.00%	2.73%	-13 bps	8,900	0	38,335	0	38,335	6	(29,435)	431%	-4	-4	0
4/1/2036	2026	5.00%	2.81%	-14 bps	8,925	0	30,170	0	30,170	4	(21,245)	338%	-4	-2	(2)
4/1/2037	2026	5.00%	2.91%	-11 bps	9,000	0	20,925	0	20,925	5	(11,925)	233%	-2	-1	(1)
4/1/2038	2026	5.00%	3.01%	-10 bps	7,500	0	19,415	0	19,415	5	(11,915)	259%	-2	-1	(1)
4/1/2039	2026	5.00%	3.14%	-5 bps	5,155	0	11,590	0	11,590	5	(6,435)	225%	-2	-1	(1)
4/1/2040	2026	5.00%	3.22%	0 bps	5,415	0	14,810	0	14,810	5	(9,395)	273%	-2	-2	0
4/1/2041	2026	5.00%	3.25%	0 bps	5,685	0	15,665	0	15,665	5	(9,980)	276%	-2	-2	0
4/1/2042	2026	5.00%	3.34%	2 bps	5,975	0	16,660	0	16,660	5	(10,685)	279%	-2	-2	0
4/1/2043	2026	5.00%	3.42%	1 bps	6,270	0	16,000	0	16,000	5	(9,730)	255%	-2	-2	0
4/1/2044	2026	5.00%	3.50%	-1 bps	6,585	0	15,745	0	15,745	5	(9,160)	239%	-2	-1	(1)
4/1/2045	2026	5.00%	3.60%	-3 bps	6,915	0	24,205	0	24,205	4	(17,290)	350%	-4	-3	(1)
4/1/2046	2026	5.00%	3.72%	-3 bps	7,260	0	32,670	0	32,670	7	(25,410)	450%	-5	-5	0
4/1/2051	2026	5.00%	4.03%	-3 bps	37,000	0	166,500	0	166,500	7	(129,500)	450%	-5	-4	(1)
4/1/2056	2026	5.00%	4.20%	2 bps	38,250	0	210,375	0	210,375	8	(172,125)	550%	-6	-4	(2)
Totals:					**204,695**	**10,480**	**799,260**	**0**	**809,740**	**118**	**0**	**396%**			

Example For Illustrative Purposes Only

Repricing Wire

Initial Pricing Wire

MATURITY	AMOUNT*	COUPON	PRICE	(Pts) SPR TO 4/1	
04/01/2027	3,380M	5.00%	2.15	-16	(Approx. $ Price 101.803)
04/01/2028	3,020M	5.00%	2.20	-15	(Approx. $ Price 104.487)
04/01/2029	3,170M	5.00%	2.28	-15	(Approx. $ Price 106.932)
04/01/2030	3,330M	5.00%	2.36	-15	(Approx. $ Price 109.157)
04/01/2031	7,930M	5.00%	2.43	-15	(Approx. $ Price 111.213)
04/01/2032	8,335M	5.00%	2.49	-17	(Approx. $ Price 113.131)
04/01/2033	8,345M	5.00%	2.56	-18	(Approx. $ Price 114.812)
04/01/2034	8,350M	5.00%	2.66	-13	(Approx. $ Price 116.081)
04/01/2035	8,900M	5.00%	2.73	-13	(Approx. $ Price 117.366)
04/01/2036	8,925M	5.00%	2.81	-14	(Approx. $ Price 118.380)
04/01/2037	9,000M	5.00%	2.91	-11	(Approx. $ Price PTC 04/01/2036 117.457 Approx. YTM 3.065)
04/01/2038	7,500M	5.00%	3.01	-10	(Approx. $ Price PTC 04/01/2036 116.542 Approx. YTM 3.279)
04/01/2039	5,155M	5.00%	3.14	-5	(Approx. $ Price PTC 04/01/2036 115.366 Approx. YTM 3.486)
04/01/2040	5,415M	5.00%	3.22	+0	(Approx. $ Price PTC 04/01/2036 114.649 Approx. YTM 3.629)
04/01/2041	5,685M	5.00%	3.25	+0	(Approx. $ Price PTC 04/01/2036 114.381 Approx. YTM 3.717)
04/01/2042	5,975M	5.00%	3.34	+2	(Approx. $ Price PTC 04/01/2036 113.583 Approx. YTM 3.837)
04/01/2043	6,270M	5.00%	3.42	+1	(Approx. $ Price PTC 04/01/2036 112.879 Approx. YTM 3.937)
04/01/2044	6,585M	5.00%	3.50	-1	(Approx. $ Price PTC 04/01/2036 112.181 Approx. YTM 4.028)
04/01/2045	6,915M	5.00%	3.60	-3	(Approx. $ Price PTC 04/01/2036 111.315 Approx. YTM 4.124)
04/01/2046	7,260M	5.00%	3.72	-3	(Approx. $ Price PTC 04/01/2036 110.286 Approx. YTM 4.224)
04/01/2051	37,000M	5.00%	4.03	-3	(Approx. $ Price PTC 04/01/2036 107.681 Approx. YTM 4.482)
04/01/2056	38,250M	5.00%	4.20	+2	(Approx. $ Price PTC 04/01/2036 106.283 Approx. YTM 4.609)

CALL FEATURES: Optional call in 04/01/2036 @ 100.00

Repricing Wire

MATURITY	AMOUNT*	COUPON	PRICE	(Pts) SPR TO 4/1		Adjustments
04/01/2027	3,380M	5.00%	2.11	-20	(Approx. $ Price 101.830)	-4
04/01/2028	3,020M	5.00%	2.16	-19	(Approx. $ Price 104.554)	-4
04/01/2029	3,170M	5.00%	2.24	-19	(Approx. $ Price 107.038)	-4
04/01/2030	3,330M	5.00%	2.32	-19	(Approx. $ Price 109.304)	-4
04/01/2031	7,930M	5.00%	2.39	-19	(Approx. $ Price 111.400)	-4
04/01/2032	8,335M	5.00%	2.45	-21	(Approx. $ Price 113.357)	-4
04/01/2033	8,345M	5.00%	2.52	-22	(Approx. $ Price 115.076)	-4
04/01/2034	8,350M	5.00%	2.62	-17	(Approx. $ Price 116.382)	-4
04/01/2035	8,900M	5.00%	2.69	-17	(Approx. $ Price 117.703)	-4
04/01/2036	8,925M	5.00%	2.78	-17	(Approx. $ Price 118.660)	-3
04/01/2037	9,000M	5.00%	2.89	-13	(Approx. $ Price PTC 04/01/2036 117.642 Approx. YTM 3.046)	-2
04/01/2038	7,500M	5.00%	2.99	-12	(Approx. $ Price PTC 04/01/2036 116.725 Approx. YTM 3.261)	-2
04/01/2039	5,155M	5.00%	3.12	-7	(Approx. $ Price PTC 04/01/2036 115.546 Approx. YTM 3.470)	-2
04/01/2040	5,415M	5.00%	3.20	-2	(Approx. $ Price PTC 04/01/2036 114.828 Approx. YTM 3.613)	-2
04/01/2041	5,685M	5.00%	3.23	-2	(Approx. $ Price PTC 04/01/2036 114.560 Approx. YTM 3.702)	-2
04/01/2042	5,975M	5.00%	3.32	+0	(Approx. $ Price PTC 04/01/2036 113.760 Approx. YTM 3.823)	-2
04/01/2043	6,270M	5.00%	3.40	-1	(Approx. $ Price PTC 04/01/2036 113.055 Approx. YTM 3.924)	-2
04/01/2044	6,585M	5.00%	3.48	-3	(Approx. $ Price PTC 04/01/2036 112.355 Approx. YTM 4.015)	-2
04/01/2045	6,915M	5.00%	3.56	-7	(Approx. $ Price PTC 04/01/2036 111.661 Approx. YTM 4.099)	-4
04/01/2046	7,260M	5.00%	3.67	-8	(Approx. $ Price PTC 04/01/2036 110.714 Approx. YTM 4.194)	-5
04/01/2051	37,000M	5.00%	3.99	-7	(Approx. $ Price PTC 04/01/2036 108.013 Approx. YTM 4.460)	-4
04/01/2056	38,250M	5.00%	4.14	-4	(Approx. $ Price PTC 04/01/2036 106.775 Approx. YTM 4.580)	-6

CALL FEATURES: Optional call in 04/01/2036 @ 100.00

Example For Illustrative Purposes Only

Verbal Award and BPA Execution

- After finalizing the structure for the bonds and making any necessary adjustment to the yields after the order period, the underwriters will provide the final interest rate scale
- Upon approval of the final scale, the underwriter will offer to buy the bonds, and ask for the **verbal award**
- The underwriter will circulate a **re-pricing wire** with the final scale
- Final numbers based on the final interest rate scale will be circulated followed by a **Bond Purchase Agreement (BPA)** with the terms of the bonds. Execution of the BPA by the issuer and underwriter is the formal award

QUESTIONS?

BETSY KIEHN
Managing Director, Head of Municipal Capital Markets
Stifel

MATT RUDROFF, CFA, CPA
Director
PFM Financial Advisors LLC