



## REQUEST FOR PROPOSALS

**\$900,000 (Approx.)**

### **OCEANO COMMUNITY SERVICES DISTRICT SERIES 2021 TAXABLE ENTERPRISE REVENUE OBLIGATIONS (CALPERS UAL REPAYMENT PROJECT)**

#### **RFP Invitation:**

The Oceano Community Services District (“District”) hereby invites you, on behalf of your bank (the “Bank”), to submit a bid proposal (the “Bid Proposal”) to purchase the Oceano Community Services District, \$900,000 (approx.) Series 2021 Taxable Enterprise Revenue Obligations (CalPERS UAL Repayment Project) (the “2021 Revenue Obligations”) described herein upon the terms and conditions set forth herein.

#### **The District:**

The District is a multi-service community service district located on the beautiful central coast of California. The District provides approximately 8,714 residents and businesses, located in Oceano and Halcyon, with fire protection, potable water services, garbage and recycling, wastewater collection and street lighting. The District’s Water Master Plan projects the current Service Area and Sphere of Influence boundaries of the District could grow to a population of 10,133 persons by 2030. The District is governed by a five-member Board of Directors. Members are elected for staggered four-year terms.

Oceano is a census designated place with 1.5 square miles of land and .02 square miles of water. The community is adjacent to the Cities of Grover Beach and Arroyo Grande to the north, with agriculture to the east and south-east. The District has received a lower income designation with CRA credit potential. Oceano is known as the ‘Gateway to the Dunes’ as its beach contains the 1,500 acre Oceano Dunes State Vehicular Recreation Area which is overseen by the California Department of Parks and Recreation. The Oceano Dunes attract a wealth of tourists to the area as it is the singular California Park that offers shoreline camping. Guests can drive off-highway vehicles on the beach and dunes alongside the Oso Flaco Natural area. It is also a popular destination for fishing, surfing, clamming, and hiking.

*Water.* The District delivers potable water service to approximately 2,200 connections. The District’s water supplies include groundwater, Lopez Lake and State water. The latter two are provided by the County of San Luis Obispo under terms of water supply contracts. The District’s water supply reliability is considered relatively high, and the District had been increasing water in storage during the recent drought. Attached is the adopted 2020 Rate Study (the “Water Rate Study”) from which the adopted rate schedule was derived.

The California State Division of Drinking Water regulates the District’s water supplies. Regulation of the District’s groundwater supply is also subject to the stipulations adopted in 2005 for the adjudication of the Santa Maria groundwater basin.

*Wastewater.* The District offers wastewater collection via a network of local pipelines, manholes and pump stations which transport wastewater to the South San Luis Obispo County Sanitation District pipelines which handles wastewater treatment and disposal. Attached is the adopted 2010 Rate Study (the “Wastewater Rate Study”) from which the adopted rate schedule was derived.

**Due Date:** Responses are **due by 10:00 AM PDT on April 19, 2021**. Please submit electronically to the following three parties:

**Oceano Community Services District**  
Attn: Will Clemens, General Manager  
Email: [will@oceanocsd.org](mailto:will@oceanocsd.org)  
Office (805) 481-6730

**Municipal Advisor:**  
California Municipal Advisors, LLC  
Attn: Dmitry Semenov  
[dsemenov@calmuniadvisors.com](mailto:dsemenov@calmuniadvisors.com)  
(916) 257-5789

**Bond Counsel:**  
The Weist Law Firm  
Attn: Cameron Weist  
[cameron@weistlaw.com](mailto:cameron@weistlaw.com)  
(831) 438-7900

**Purpose:** The 2021 Revenue Obligations will be issued by the District for the purposes of (a) prepaying all of the District’s currently outstanding Miscellaneous and Safety Unfunded Actuarial Liability (UAL) with CalPERS, and (b) paying associated costs of issuance. The attached pension liability assessment presentation discusses the cash flow management and savings potential of the UAL refunding.

**Structure/Security:** The 2021 Revenue Obligations will be secured by a Financing Agreement between the Bank and the District, along with a corresponding Promissory Note. Obligation Payments made under the Financing Agreement and Note shall be from Net Revenues of the District’s water system (the “Water System”) and District’s wastewater system (the “Wastewater System,” and together with the Water System, the “Enterprise Systems”), and shall be on parity with any future long-term parity debt issuances.

**Rate Covenant:** The Water System will be responsible for approximately 66.67% of the debt service on the 2021 Revenue Obligations (the “Water System’s Allocable Share”) and the Wastewater System will be responsible for approximately 33.33% of the debt service on the 2021 Revenue Obligations (the “Wastewater System’s Allocable Share,” and together with the Water System’s Allocable Share, the “Allocable Share of Debt Service”).

The District will covenant to maintain Net Revenues (i.e., Gross Revenues less Maintenance and Operation Costs) in excess of 125% of each respective Enterprise System’s Allocable Share of Debt Service on the 2021 Revenue Obligations and any future parity debt (the “DSC Requirement”).

**Default Provisions:** A drop below the DSC Requirement (so long as the debt service payments are being made in a timely manner) will not result in a Default; *however*, if the District fails to meet the DSC Requirement in a given Fiscal Year, and assuming the rate stabilization fund (as described below, the “RSF”) is not otherwise sufficient to cover the differential, the District will either (i) advance to the RSF an amount needed to cover the deficiency, or (ii) promptly employ an Independent Financial Consultant to review the revenues and expenses or the methods of operation of the

District, with the District abiding by such consultant’s recommendations to revise the schedule of rates, fees, expenses and charges, and/or to revise any Maintenance and Operation Costs insofar as practicable, and to take such other actions as are necessary so as to produce Net Revenues that cure such violation for future compliance. If compliance with the DSC Requirement cannot be attained for three consecutive years, at the Bank’s option, a Default will have been deemed to have occurred, regardless of whether timely payments have been made by the District.

The obligation to make all payments of interest and principal when due, are absolute, unconditional and irrevocable, without any right of set-off or counterclaim whatsoever. The Obligation Payments are subject to acceleration in the Event of Default.

**Parity Debt:** There is no parity or senior debt currently outstanding, although the State charges the District for a portion of debt service pertaining to certain water supply projects that the District repays annually as M&O expense.

**No Reserve Fund:** The 2021 Revenue Obligations will not have a dedicated reserve fund.

**Tax Status:** The interest on the 2021 Revenue Obligations is included in gross income for federal income tax purpose, but is exempt from State of California income taxation.

**Approximate Amort:** Your Bank is invited to bid on the following estimated 15-year amortization schedule. Average life of approximately 7.57 years. Principal maturities may change to achieve level annual debt service based upon the rate bid.

<u>Maturity Date</u>	<u>Principal</u>
08/01/21	\$48,600.00
08/01/22	50,500.00
08/01/23	52,500.00
08/01/24	54,500.00
08/01/25	56,700.00
08/01/26	58,900.00
08/01/27	61,200.00
08/01/28	63,500.00
08/01/29	66,000.00
08/01/30	68,600.00
08/01/31	59,000.00
08/01/32	61,300.00
08/01/33	63,700.00
08/01/34	66,200.00
08/01/35	<u>68,800.00</u>
<b>TOTAL</b>	<b>\$900,000.00</b>

**Debt Service Coverage:** The following two tables set forth certain historical and projected operating results for the Water and Wastewater Systems for the Fiscal Years shown, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District’s estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. The assumptions set forth in the footnotes to the tables set forth below are material in the development of the District’s financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

Oceano Community Services District									
Revenue and Coverage Table - UAL Refunding - Water Fund									
Description	FYE 2019	FYE 2020	FYE 2021	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026
	Audit	Audit	Budget [3]	Projected [3]	Projected	Projected	Projected	Projected	Projected
<b>Revenues - Water Fund</b>									
Charges for Services	\$2,172,241	\$2,360,265	\$2,621,460	\$2,933,220	\$2,948,044	\$3,076,078	\$3,119,010	\$3,163,231	\$3,208,778
Other Fees	\$71,495	\$113,533	\$79,879	\$54,380	\$82,275	\$84,744	\$87,285	\$89,905	\$92,602
Interest Income	\$2,369	\$813	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$19,298	\$21,534	\$11,350	\$14,526	\$14,962	\$15,411	\$15,873	\$16,349	\$16,840
Grant Revenue	\$104,318	\$132,147	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Revenues - Water Fund</b>	<b>\$2,369,721</b>	<b>\$2,628,292</b>	<b>\$2,712,689</b>	<b>\$3,002,126</b>	<b>\$3,045,281</b>	<b>\$3,176,233</b>	<b>\$3,222,168</b>	<b>\$3,269,485</b>	<b>\$3,318,220</b>
<b>Expenses - Water Fund</b>									
Salaries and Benefits [1]	\$244,703	\$304,477	\$349,858	\$290,224	\$304,931	\$315,827	\$323,366	\$333,841	\$343,671
Repairs and Maintenance	\$136,628	\$156,287	\$0	\$11,145	\$11,479	\$11,824	\$12,178	\$12,544	\$12,920
Dues and Fees	\$10,321	\$8,593	\$0	\$5,226	\$5,383	\$5,544	\$5,711	\$5,882	\$6,058
Education	\$150	\$2,367	\$0	\$0	\$2,900	\$2,987	\$3,077	\$3,169	\$3,264
Legal & Professional Fees	\$127,144	\$121,569	\$0	\$88,320	\$90,970	\$93,699	\$96,510	\$99,405	\$102,387
Misc	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Office Expense	\$475	\$571	\$0	\$71	\$73	\$75	\$78	\$80	\$82
Supplies	\$24,388	\$7,898	\$0	\$11,893	\$12,250	\$12,617	\$12,996	\$13,386	\$13,787
Utilities	\$55,612	\$12,654	\$0	\$14,677	\$15,117	\$15,571	\$16,038	\$16,519	\$17,015
Water Meters	\$10,992	\$12,498	\$0	\$21,630	\$22,279	\$22,947	\$23,636	\$24,345	\$25,075
Water Supply Expense	\$1,426,867	\$1,563,957	\$1,644,997	\$1,413,445	\$1,644,997	\$1,644,997	\$1,644,997	\$1,644,997	\$1,644,997
Wheeled Water Expense	\$19,407	\$24,143	\$0	\$25,000	\$25,750	\$26,523	\$27,318	\$28,138	\$28,982
Interest - to General Fund	\$1,324	\$1,010	\$0	\$7,962	\$7,491	\$7,011	\$6,521	\$6,021	\$5,512
Interest - to Garbage Fund	\$0	\$0	\$0	\$613	\$476	\$335	\$191	\$46	\$0
Bad Debt	\$1,092	\$4,697	\$0	\$545	\$561	\$578	\$596	\$613	\$632
Admin Allocation [4]	\$0	\$0	\$555,363	\$489,980	\$504,679	\$519,820	\$535,414	\$551,477	\$568,021
Services and Supplies	\$0	\$0	\$291,220	\$0	\$0	\$0	\$0	\$0	\$0
CIP Projects	\$0	\$0	\$40,000	\$25,200	\$75,000	\$150,000	\$150,000	\$150,000	\$150,000
Equipment Fund	\$0	\$0	\$17,074	\$5,696	\$17,586	\$18,114	\$18,657	\$19,217	\$19,793
Depreciation	\$121,578	\$123,675	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses - Water Fund [1]</b>	<b>\$2,180,681</b>	<b>\$2,344,396</b>	<b>\$2,898,512</b>	<b>\$2,411,627</b>	<b>\$2,741,922</b>	<b>\$2,848,468</b>	<b>\$2,877,283</b>	<b>\$2,909,679</b>	<b>\$2,942,197</b>
<b>Excess (Deficit) Revenues over Expenses [1]</b>	<b>\$189,040</b>	<b>\$283,896</b>	<b>(\$185,823)</b>	<b>\$590,499</b>	<b>\$303,359</b>	<b>\$327,764</b>	<b>\$344,885</b>	<b>\$359,806</b>	<b>\$376,023</b>
Fund Balance, beginning of year	\$2,436,397	\$2,248,467	\$2,134,988	\$2,134,988	\$2,695,063	\$2,967,388	\$3,263,498	\$3,576,096	\$3,902,807
Prior Period Adjustment	\$0	\$5,473	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfers In	\$1,636	\$1,634	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfers Out	(\$378,606)	(\$404,482)	(\$39,001)	(\$30,425)	(\$31,034)	(\$31,654)	(\$32,287)	(\$33,095)	(\$34,158)
Fund Balance, end of year	\$2,248,467	\$2,134,988	\$1,910,164	\$2,695,063	\$2,967,388	\$3,263,498	\$3,576,096	\$3,902,807	\$4,244,672
Excess (Deficit) Revenues over Expenses [1]	\$189,040	\$283,896	(\$185,823)	\$590,499	\$303,359	\$327,764	\$344,885	\$359,806	\$376,023
Add Back Net Transfers	(\$376,970)	(\$402,848)	(\$39,001)	(\$30,425)	(\$31,034)	(\$31,654)	(\$32,287)	(\$33,095)	(\$34,158)
Add Back UAL Payments	\$17,911	\$22,519	\$26,861	\$26,861	\$33,667	\$36,425	\$35,583	\$37,425	\$38,362
Add Back Depreciation	\$121,578	\$123,675	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add Back CIP Projects	\$0	\$0	\$40,000	\$25,200	\$75,000	\$150,000	\$150,000	\$150,000	\$150,000
Net Revenues	(\$48,441)	\$27,242	(\$157,963)	\$612,136	\$380,992	\$482,536	\$498,181	\$514,136	\$530,227
Allocation of UAL Refunding Debt Service [2]	\$0	\$0	\$0	\$0	\$55,800	\$55,800	\$55,800	\$55,800	\$55,800
<b>Debt Service Coverage Ratio</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>6.83</b>	<b>8.65</b>	<b>8.93</b>	<b>9.21</b>	<b>9.50</b>

Source: Oceano Community Services District

[1] Expenses assume no refunding or payoff of UAL.

[2] The Water Enterprise fund is presently allocated 2/3 of the Debt Service on the 2021 Obligations.

[3] 2021 Budget contains conservative assumptions. 2021 Projections reflect actual known YTD performance and realistic assumptions.

[4] Admin Allocation is the reimbursement of admin costs incurred in the General Fund by the Water Enterprise fund.

Oceano Community Services District									
Revenue and Coverage Table - UAL Refunding - Sewer Fund									
Description	FYE 2019	FYE 2020	FYE 2021	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026
	Audit	Audit	Budget [3]	Projected [3]	Projected	Projected	Projected	Projected	Projected
<b>Revenues - Sewer Fund</b>									
Charges for Services	\$394,174	\$389,850	\$400,000	\$400,000	\$400,000	\$400,000	\$445,000	\$460,000	\$475,000
Other Fees	\$4,644	\$10,595	\$3,800	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500
Interest Income	\$28,218	\$23,075	\$0	\$17,623	\$11,844	\$0	\$0	\$0	\$0
Other		\$2,812	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Revenues - Sewer Fund</b>	<b>\$427,036</b>	<b>\$426,332</b>	<b>\$403,800</b>	<b>\$422,123</b>	<b>\$416,344</b>	<b>\$404,500</b>	<b>\$449,500</b>	<b>\$464,500</b>	<b>\$479,500</b>
<b>Expenses - Sewer Fund</b>									
Salaries and Benefits [1]	\$84,691	\$111,859	\$135,575	\$111,225	\$117,562	\$121,963	\$124,654	\$128,781	\$132,551
Repairs and Maintenance	\$17,069	\$8,370	\$0	\$5,060	\$5,212	\$5,368	\$5,529	\$5,695	\$5,866
Dues and Fees	\$2,836	\$3,580	\$0	\$4,405	\$4,537	\$4,673	\$4,813	\$4,958	\$5,107
Education	\$0	\$181	\$0	\$0	\$2,800	\$2,884	\$2,971	\$3,060	\$3,151
Legal & Professional Fees	\$19,598	\$8,159	\$0	\$12,032	\$12,393	\$12,765	\$13,148	\$13,542	\$13,948
Misc	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Office Expense	\$31	\$79	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Supplies	\$4,135	\$1,388	\$0	\$2,596	\$2,674	\$2,754	\$2,837	\$2,922	\$3,009
Utilities	\$2,541	\$1,365	\$0	\$1,835	\$1,890	\$1,947	\$2,005	\$2,065	\$2,127
Interest	\$157	\$39	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bad Debt	\$255	\$1,223	\$0	\$0	\$350	\$361	\$371	\$382	\$394
CIP Projects	\$0	\$0	\$0	\$16,500	\$0	\$0	\$0	\$0	\$0
Admin Allocation [4]	\$0	\$0	\$277,681	\$244,990	\$252,340	\$259,910	\$267,707	\$275,738	\$284,011
Services and Supplies	\$0	\$0	\$73,708	\$0	\$0	\$0	\$0	\$0	\$0
Equipment Fund	\$0	\$0	\$11,915	\$3,975	\$4,094	\$4,217	\$4,344	\$4,474	\$4,608
Depreciation	\$122,184	\$100,541	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses - Sewer Fund [1]</b>	<b>\$253,497</b>	<b>\$236,784</b>	<b>\$498,879</b>	<b>\$402,618</b>	<b>\$403,852</b>	<b>\$416,841</b>	<b>\$428,379</b>	<b>\$441,617</b>	<b>\$454,773</b>
<b>Excess (Deficit) Revenues over Expenses [1]</b>	<b>\$173,539</b>	<b>\$189,548</b>	<b>(\$95,079)</b>	<b>\$19,505</b>	<b>\$12,492</b>	<b>(\$12,341)</b>	<b>\$21,121</b>	<b>\$22,883</b>	<b>\$24,727</b>
Fund Balance, beginning of year	\$2,716,487	\$2,551,034	\$2,378,825	\$2,378,825	\$2,494,647	\$2,609,235	\$2,692,189	\$2,713,311	\$2,736,193
Prior Period Adjustment	\$0	\$236	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfers In	\$0	\$0	\$113,940	\$96,317	\$102,096	\$95,295	\$0	\$0	\$0
Transfers Out	(\$338,992)	(\$361,993)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fund Balance, end of year	\$2,551,034	\$2,378,825	\$2,397,686	\$2,494,647	\$2,609,235	\$2,692,189	\$2,713,311	\$2,736,193	\$2,760,921
Excess (Deficit) Revenues over Expenses [1]	\$173,539	\$189,548	(\$95,079)	\$19,505	\$12,492	(\$12,341)	\$21,121	\$22,883	\$24,727
Add Back Net Transfers	(\$338,992)	(\$361,993)	\$113,940	\$96,317	\$102,096	\$95,295	\$0	\$0	\$0
Add Back UAL Payments	\$8,955	\$11,260	\$13,431	\$13,431	\$16,834	\$18,213	\$17,791	\$18,712	\$19,181
Add Back Depreciation	\$122,184	\$100,541	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add Back CIP Projects	\$0	\$0	\$0	\$16,500	\$0	\$0	\$0	\$0	\$0
Net Revenues	(\$34,314)	(\$60,644)	\$32,292	\$145,753	\$131,422	\$101,167	\$38,913	\$41,595	\$43,908
Allocation of UAL Refunding Debt Service [2]	\$0	\$0		\$0	\$27,900	\$27,900	\$27,900	\$27,900	\$27,900
<b>Debt Service Coverage Ratio</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>4.71</b>	<b>3.63</b>	<b>1.39</b>	<b>1.49</b>	<b>1.57</b>

Source: Oceano Community Services District

[1] Expenses assume no refunding or payoff of UAL.

[2] The Wastewater Enterprise fund is presently allocated 1/3 of the Debt Service on the 2021 Obligations.

[3] 2021 Budget contains conservative assumptions. 2021 Projections reflect actual known YTD performance and realistic assumptions.

[4] Admin Allocation is the reimbursement of admin costs incurred in the General Fund by the Wastewater Enterprise fund.

- Purchaser Letter:** The Bank will be required to execute a Purchaser Letter in a form standard and customary for a transaction of this nature including but not limited to those that are a qualified institutional buyers, that they intend to hold the 2021 Revenue Obligations for their own account, and that they have independently done their own due diligence to the extent necessary and have determined that the 2021 Revenue Obligations are suitable for their investment.
- Costs:** The District will pay certain costs of issuance, including Bond Counsel, Municipal Advisor and CDIAF Fees.
- All Bank costs (counsel fees, origination fees etc.) will be factored into the Bank bid to determine the all-inclusive cost (AIC) of the Bid Proposal. Please provide other estimated costs, if any, including, origination fees, Bank legal counsel fees, or other fees and expenses required by the Bank to complete the financing.
- Please note that the legal documents and legal opinion for the financing will be prepared by Weist Law LLP, as Bond Counsel to the District.
- Opinion of Counsel:** The Weist Law Firm shall deliver a tax and validity opinion to the Bank at closing in form and substance satisfactory to the District and the Bank. The opinion of counsel will cover any State of California tax matters, in addition to other customary opinions associated with a federally taxable transaction.
- Documentation:** Please provide any required documentation that is unique to your Bank that is not typically provided under the proposed financing structure.
- Other Items:** Please indicate any additional items or covenants required by either the District or the proposer to complete the proposed transaction.
- Award:** In evaluation of the Bid Proposals, the District will take into account the information submitted and any other factors that it deems appropriate. The District reserves the right to exercise its own discretion in making the award, which is expected to take place on April 29, 2021.
- Anticipated Closing:** Projecting District approval of the financing at its scheduled Board Meeting on April 28, 2021. Closing can be expected to occur before the end of May, 2021.
- Questions:** Any questions regarding the District or the transaction should be directed to either the District, Municipal Advisor or Bond Counsel (contact information provided above).