

# **AGENDA**

**PANOCHÉ FINANCING AUTHORITY  
REGULAR BOARD OF DIRECTORS MEETING  
April 13, 2021 – 9:00 a.m.**

**JOIN THE OPEN SESSION MEETING FROM YOUR COMPUTER, TABLET OR SMARTPHONE  
THROUGH THE FOLLOWING MEANS:**

<https://global.gotomeeting.com/join/817262405>

**AND PLEASE DIAL**

**Conference call in number: (844) 783-6236      Passcode: 209 364 6136**

**CHAIR'S ANNOUNCEMENT:** Pursuant to Government Code Section 54952.3, let it be known that Board Members receive no compensation or stipend for simultaneous or serial order meetings of the Panoche Water District, Panoche Drainage District, Panoche Financing Authority, and/or the Panoche Resource Conservation District.

- 1. CALL TO ORDER**
- 2. REVIEW OF AGENDA:** The Board will consider corrections and/or additions to the Agenda of items requiring immediate action that came to the attention of the Board after the Agenda was posted.
- 3. ROLL CALL:** A quorum will be confirmed and the Board will consider appointment of an acting Officer(s) in the event the Chair, Vice-Chair, and/or Secretary is absent from the meeting.
- 4. POTENTIAL CONFLICTS OF INTEREST:** Any Board member who has a potential conflict of interest may now identify the Agenda Item and recuse themselves from discussing and voting on the matter. [Government Code Section 87105]
- 5. PUBLIC COMMENT:** The Board of Directors welcomes participation in Board meetings. The public may address matters under the jurisdiction of the Board that have not been posted in the Agenda. The public will be given the opportunity to address the Board on any item in the Agenda at this time or before the Board's consideration of that item. If members of the public desire to address the Board relative to a particular Agenda item at the time it is to be considered, they should so notify the Chair of the Board at this time. Please note, California Law prohibits the Board from taking action on any matter during a regular meeting that is not on the posted Agenda unless the Board determines that it is an emergency or one of the other situations specified in Government Code Section 54954.2. During a special meeting, the Board may not take action on any matter that is not on the posted Agenda. The Chair may limit the total amount of time allocated for public comment on particular issues to 3 minutes for each individual speaker.

**6. DIVISION REPORTS:**

- A. Water Operations & Maintenance – Juan Cadena
- B. Administration – John Paul Otollo
- C. Ethics, Compliance, & Human Resources – Lorena Chagoya/German Rodriguez

*At approximately 9:15 a.m., it is anticipated President Bennett will suspend the Panoche Drainage District and Panoche Water District meetings and continue the Panoche Financing Authority -ONLY meeting.*

**ACTION ITEMS**

- 7. The Board to review and consider authorizing execution of an agreement with Wells Fargo Securities for Investment Banking and Underwriting Services (Azhderian/Porr – Tab 2);

**8. REPORTS ON OTHER ITEMS PURSUANT TO GOVERNMENT CODE SECTION 54954.2(a)(3)****9. FUTURE MEETING DATES**

- A. Board to Consider Action to Set Special Meeting Date(s): *No staff requests.*
- B. Next Regular Meeting Date: April 27, 2021

**10. ADJOURNMENT**

- ❖ Items on the Agenda may be taken in any order.
- ❖ Action may be taken on any item listed on the Agenda.
- ❖ Writings relating to open session: Agenda items that are distributed to members of the Board of Directors will be available for inspection at the District office, excluding writings that are not public records or are exempt from disclosure under the California Public Records Acts.

Americans with Disabilities Act of 1990: Under this Act, a qualifying person may request that the District provide a disability-related modification or accommodation in order to participate in any public meeting of the District. Such assistance includes alternative formats for the agendas and agenda packets used for any public meetings of the District. Requests for assistance shall be made in person, in written form, or via telephone by calling (209) 364-6136. Requests must be received at least 18 hours prior to a scheduled public meeting.

# **Panoche Financing Authority**

# **Underwriter Selection Process**

## **Board of Directors Meeting**

**April 13, 2021**

# Background

- **Pursuant to the federal WINN Act the District has executed a 9(d) contract to convert its existing water service contract to a 9(d) contract, effective July 1, 2021**
- **One of the conditions of the 9(d) contract is the prepayment of the District's unpaid capital obligations for its share of the construction cost for the federal Central Valley Project and the cost to fully implement the contract with Reclamation**
- **An Underwriting firm will be needed to market the bonds to investors**

# Underwriter RFP Overview

- **The Authority distributed the Request for Proposal to provide Underwriting Services to three qualified investment banking firms on Tuesday, March 16<sup>th</sup>**
  - Citigroup Global Markets
  - Goldman Sachs
  - Wells Fargo Bank
  
- **Firms were asked to respond to select questions pertaining to their firm's experience, knowledge of the District and agricultural issuers in the Central Valley, sales capabilities, recent transactions comparable to the prepayment of capital owed to Reclamation and qualifications as Investment Bankers**
  
- **The Authority received responses from Wells Fargo and Citigroup**

# Important Considerations

- **Sales Capabilities**: Having a large network of retail, professional retail and institutional investor relationships helps market and sell the bonds at the lowest possible interest expense
- **Credit Strategy**: It is important for the underwriter to know and understand the client's credit story to be able to execute the transaction for agricultural issuers in connection with a 9(d) contract conversion
  - The ability to market the bonds effectively while considering the overall credit rating and structure of the debt
- **Financing Team**: A strong and capable banking team ensures the District they will have the necessary experience needed to assist in a successful financing
- **Conflicts of Interest**: An unbiased underwriting team who has clear objectives and strategies

# Summary and Evaluation

- **Fieldman’s review and evaluation of the proposals considered Wells Fargo to be the better proposal**
  
- **Wells Fargo is recommended based on their team experience, knowledge of the prepayment requirements under 9(d) contract conversions and the proposed issuance of bonds, as well as the proposal with the lower fees**
  - Wells Fargo’s proposed compensation is about \$2.97/bond, or about \$60,000
  - Citigroups’ proposed compensation is about \$6.16/ bond or about \$123,250 for all taxable bonds and \$6.25/ bond or about \$112,750 for all tax-exempt bonds

# CONCLUSION





# Panoche Water District

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**Request for Proposals for Investment Banking / Underwriter Services**

**Proposed Panoche Financing Authority Revenue Bonds, Series 2021**

March 29, 2021



March 29, 2021

Mr. Ara Ahderian  
General Manager  
**Panoche Water District**  
5207 W. Althea Ave.  
Firebaugh, CA 93622

RE: Proposed Panoche Financing Authority Revenue Bonds, Series 2021

Dear Mr. Ahderian:

On behalf of Wells Fargo Securities (“WFS”), we are pleased to submit our response to Panoche Water District’s (the “District”) solicitation for investment banking/underwriting services for the District’s anticipated financing of the repayment contracts with Reclamation. Highlights of our expertise and experience include:

**California Water Experience.** WFS has the experience and expertise to manage and bring the District’s bond issue to the marketplace. WFS has committed substantial resources to meeting the financing needs of California issuers possesses a breadth of experience which spans a diverse group of water agency issuers including irrigation and water storage districts. Since 2004, WFS senior managed over \$7.4 billion of water and sewer revenue bonds<sup>1</sup>. Of this amount, WFS has senior managed **over 41 California agricultural water agency financings totaling over \$993.3 million**. More specifically, we have worked with many districts throughout the Central Valley region including Semitropic Water Storage District (total \$458.9 million), Fresno Irrigation District (total of \$27.9 million), Oakdale Irrigation District (total of \$58.3 million), Rosedale-Rio Bravo Water Storage District (total of \$109.8 million), Delano-Earlimart Irrigation District (\$14.9 million), Lower Tule River Irrigation District (total of \$36.1 million), and Shafter-Wasco Irrigation District ( total of \$23.8 million).

**Direct Experience Financing Conversions to 9(d) Repayment Contracts.** WFS has served as sole manager on 8 financings related to 9(d) contract conversions with an aggregate par amount of approximately \$159.3 million for six Friant Unit Contractors as part of the historic San Joaquin River Restoration Settlement Act – more than any other investment banking firm. WFS worked directly with all of the Friant Division contractors to facilitate conversions to 9(d) Repayment Contracts as authorized by the San Joaquin River Restoration Settlement Act. Beginning in 2007 until completion in 2011, Wells Fargo provided analyses of the financial impact of the proposed conversion to Repayment Contracts including the budget impact of transitioning from a volumetric CVP capital charge to a fixed debt service charge. The form of spreadsheet WFS developed for calculating and tracking the impact of the discounted prepayment of construction costs was utilized by Reclamation as an exhibit to the repayment contract documentation. More recently, WFS has served as sole manager on three refundings of original 9(d) related bond issues.

**Powerful Institutional Distribution Network.** WFS has access to an expansive multi-channel distribution network capable of reaching all sectors of the market. Our Institutional sales force consists of a 13-member Tier-1 municipal sales group covering over 250 national buyers with assets over \$1 billion. We have also seen significant demand from middle markets accounts (local banks, local insurers, corporations, municipalities); their participation can constitute a majority of an order book. This important customer base is covered by WFS’ 80 member middle market sales team who have relationships with over 6,400 middle-markets investors. Finally, we are capable of reaching retail investors through our 12,000 member retail sales team through Wells Fargo Clearing Service, LLC.

Thank you again for this opportunity to submit our proposal to the District to serve as sole manager on the proposed Bond transaction. As demonstrated through our prior financings for California agricultural water agencies, we will endeavor to employ our vast resources with the goal of successfully executing the District’s financing. Should you have any questions, please do not hesitate to reach out.

Sincerely,



Michael J. Engelbrecht, Managing Director  
Head of West Region Public Finance  
(213) 253-7219 | [michael.j.engelbrecht@wellsfargo.com](mailto:michael.j.engelbrecht@wellsfargo.com)



Tom Wynne, Director  
West Region Public Finance  
(213) 253-7210 | [tom.wynne@wellsfargo.com](mailto:tom.wynne@wellsfargo.com)

cc: Fieldman Rolapp & Associates

<sup>1</sup>Source: SDC Thomson Reuters True Economics to Bookrunner Since 2004



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**Important Information & Disclaimer**

This document and any other materials accompanying this document (collectively, the “Materials”) are provided for general informational purposes only. By accepting any Materials, the recipient acknowledges and agrees to the matters set forth below.

**Wells Fargo Securities (“WFS”) is the trade name for certain securities related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including but not limited to Wells Fargo Bank, N.A., acting through its Municipal Finance Group. Commercial banking products and services are provided by Wells Fargo Bank, N.A (“WFBNA”). Investment banking and capital markets products and services provided by Wells Fargo Securities, are not a condition to any banking product or service.**

**Derivatives products (including “swaps” as defined in and subject to the Commodity Exchange Act (“CEA”) and Commodity Futures Trading Commission (“CFTC”) regulations and (ii) “security-based swaps”, (“SBS”) as defined in and subject to the Securities and Exchange Act of 1934 (“SEA”) and SEC regulations thereunder) are transacted through WFBNA, a CFTC provisionally-registered swap dealer and member of the NFA. Transactions in physical commodities are transacted through Wells Fargo Commodities, LLC, a wholly-owned subsidiary of Wells Fargo & Company.**

**WFBNA, as potential derivatives provider, and WFS, as potential underwriter or placement agent (together with any of its affiliates as context may require, “we”, or “Wells Fargo”) are providing the information contained in the Materials for discussion purposes only in anticipation of, or in connection with, engaging in arm’s length commercial transactions with you in which Wells Fargo would be acting solely as a principal or agent, as applicable, and not as a municipal advisor, financial advisor or fiduciary to you or any other person or entity regardless of whether we, or an affiliate has or is currently acting as such on a separate transaction (the use of the term “agent” does not imply any fiduciary relationship).**

These Materials are being provided to you for the purpose of working with you as an underwriter or placement agent (collectively, “underwriter”) and/or derivatives provider on the transaction(s) described in the Materials. As part of its services as underwriter, WFS may provide information concerning the structure, timing, terms, and other similar matters concerning the issue of municipal securities that WFS proposes to underwrite as described in the Materials. The Materials may also contain such information. Any such information has been, and would be, provided by WFS in the context of serving as an underwriter and not as your municipal or financial advisor. Additionally, WFBNA, as derivatives provider, and WFS, as underwriter, have financial and other interests that differ from your interests (or those of the issuer). In its capacity as underwriter, WFS’ primary role would be to purchase securities from you (or the issuer in the case of a conduit transaction) for resale to investors, or arrange for the placement of securities with investors on your behalf. Wells Fargo will not have any duties or liability to any person or entity in connection with the information being provided in the Materials.



The information provided herein is not intended to be and should not be construed as advice within the meaning of Section 15B of the Securities Exchange Act of 1934, and Wells Fargo will not be acting as your municipal advisor under the municipal advisor rules (“Muni Advisor Rules”) of the Securities and Exchange Commission (“SEC”) and the SEC’s guidance in its Registration of Municipal Advisors Frequently Asked Questions dated May 19, 2014, as supplemented (collectively, “Muni Advisor Rules”).

Please be advised that any information in the Materials regarding municipal derivatives is being provided by WFBNA as a swap dealer and that any swap offered or recommended in the Materials is being offered or recommended by WFBNA as a swap dealer. No part of the Materials is intended to be and should not be construed as an offer or recommendation of a municipal derivatives service or product by WFS, as underwriter, for purposes of Municipal Securities Rulemaking Board Rule G-17, or otherwise. You should consult with your own financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent you deem appropriate. If you would like a municipal advisor that has legal fiduciary duties to you, you are certainly free to engage a municipal advisor to serve in that capacity.

Transactions referenced in the Materials which are attributed to Wells Fargo or to WFS may include transactions executed by a Wachovia Corporation or Wells Fargo & Company broker-dealer affiliate or by other municipal securities dealers and/or broker-dealers which were acquired by Wachovia Corporation or WFC.

WFS distributes municipal securities to institutional investors primarily through Wells Fargo Bank, N.A. Municipal Finance Group (“WFBNA MFG”) and Wells Fargo Securities, LLC (“WFSLLC”). Distribution to middle market clients is provided primarily through WFSLLC. Retail distribution is primarily provided by Wells Fargo Advisors, which is the trade name used by Wells Fargo Clearing Services, LLC (“WFCS”) and Wells Fargo Advisors Financial Network, LLC (“WFAFN”), two non-bank separate registered broker-dealers (members FINRA and SIPC). WFSLLC, WFBNA MFG, WFCS, and WFAFN are affiliates and are each wholly owned subsidiaries of WFC.

Any municipal underwriting, commercial paper and remarketing rankings referenced herein represent combined totals for WFBNA MFG and WFSLLC. Non-municipal underwriting, commercial paper and remarketing rankings referenced herein represent totals for WFSLLC only. Source information for any ranking information not otherwise provided herein is available on request. Any rankings referencing competitive municipal new issues for time periods prior to 2011 include issues underwritten by WFCS. Underwriting activities of WFCS are not managed or otherwise controlled by WFBNA MFG or WFSLLC.

If the Materials are being provided to you under any of the following events, the information contained in the Materials and any subsequent discussions between us, including any and all information, advice, recommendations, opinions, indicative pricing, quotations and analysis with respect to any municipal financial product or issuance of municipal securities, are provided to you in reliance upon the Swap Dealer, Bank, RFP, IRMA exemptions and underwriter exclusion, as applicable, provided under the Muni Advisor Rules. In the event the Swap Dealer, Bank, RFP, IRMA exemptions, or underwriter exclusion do not apply, the information included in the Materials are provided in reliance on the general information exclusion to advice under the Muni Advisor Rules.

In the event that you have provided us with your written representation in form and substance acceptable to WFBNA that you are represented by a “qualified independent representative” as defined in the Commodity Exchange Act (“CEA”) with respect to any municipal derivative or trading strategy involving municipal derivatives described in the Materials, we have provided you with our written disclosure that we are not acting as an advisor to you with respect to the municipal derivative or trading strategy pursuant to Section 4s(h)(4) of the CEA and the rules and regulations thereunder, and have taken certain other steps to establish the “Swap Dealer exemption” under the Muni Advisor Rules.

Any information related to a bank-purchased bond transaction (“Direct Purchase”) included in the Materials is a product offering of WFBNA or a subsidiary thereof (“Purchaser”) as purchaser / investor. WFS will not participate in any manner in any Direct Purchase transaction between you and Purchaser, and Wells Fargo employees involved with a Direct Purchase transaction are not acting on behalf of or as representatives of WFS. The information contained herein regarding Purchaser’s Direct Purchase is being provided to you by WFS only for purposes of providing financing alternatives that may be available to you from WFC and its affiliates. Information contained in this document regarding Direct Purchase is for discussion purposes only in anticipation of engaging in arm’s length commercial transactions with you in which Purchaser would be acting solely as a principal to purchase securities from you or a conduit issuer, and not as a municipal advisor, financial advisor or fiduciary to you or any other person or entity regardless of whether Purchaser, or an affiliate has or is currently acting as such on a separate transaction. Additionally, Purchaser has financial and other interests that differ from your interests. Purchaser’s sole role would be to purchase securities from you (or the conduit issuer). Any information relating to a Direct Purchase is being provided to you pursuant to and in reliance on the “Bank exemption” under the Muni Advisor Rules and the general information exclusion to advice under the Muni Advisor Rules.

In the event the Materials are being provided in connection with a RFP, the SEC exempts from the definition of municipal advisor “any person providing a response in writing or orally to a request for proposals or qualifications from a municipal entity or obligated person for services in connection with a municipal financial product or the issuance of municipal securities; provided however, that such person does not receive separate direct or indirect compensation for advice provided as part of such response” (“RFP exemption”). In such event, we have relied upon the RFP exemption, and on your distribution and execution of this RFP through a competitive process. In the event WFBNA MFG is the party providing the Materials responses to all questions, certifications, attestations, information requests, and similar in the RFP or RFQ to which this response relates are specifically limited to, in context of, and as applied to, WFBNA MFG in its capacity as a separately identifiable department of a national bank that is registered as a municipal securities dealer with the Securities and Exchange Commission, Office of the Comptroller of the Currency, and Municipal Securities Rulemaking Board; and not on behalf of Wells Fargo Bank, N.A., unless specified otherwise in our response.

In the event that you have provided us with your written representation that you are represented by an independent registered municipal advisor (an “IRMA”) within the meaning of the Muni Advisor Rules, with respect to the transaction(s) described in the Materials we have provided you with our written disclosure that we are not a municipal advisor to you and are not subject to the fiduciary duty under the Muni Advisor Rules, if applicable, and have taken certain other steps to establish the “IRMA exemption” under the Muni Advisor Rules.

In the event that you have engaged us to serve as an underwriter with respect to the municipal securities issuance described in the Materials we have provided you with our written disclosure regarding our role as an underwriter, that we are not a municipal advisor to you and are not subject to the fiduciary duty under the Muni Advisor Rules, if applicable.

If savings threshold level information is contained herein, please be advised that WFS is not recommending nor providing advice regarding which maturities should be refunded by you.

See additional important disclosures at the end of the Materials.

## II. Questions

1. Describe your sales capability related to tax-exempt and taxable municipal financings. Please provide an example of your firm's pricing of a California water utility's bonds completed after March of 2020 with an emphasis on agricultural issuers in the Central Valley.

WFS takes a proactive approach to marketing our client's bonds to investors and will work with the District to ensure that the District's future financing reaches a wide spectrum of prospective investors. As demonstrated in the past financings we have executed for California agricultural water districts, we will design a holistic marketing plan for the District that seeks to ensure broad based investor participation, and in turn, the most aggressive pricing possible. Our three-pronged channel is increasingly important in the current market as recent developments in the municipal market have shifted the types of investors that make up the primary investor base for municipal bonds. In the table below we summarize our comprehensive distribution network broken out by our capabilities both nationally and within California.

Comprehensive Distribution Network		
1. Municipal Institutional Sales	2. Middle Market Sales*	3. Retail Sales**
<ul style="list-style-type: none"> <li>13 Municipal Sales professionals</li> <li>4 offices nationwide</li> <li>250 key buyers of muni securities</li> <li>425-account institutional base</li> </ul>	<ul style="list-style-type: none"> <li>80 sales professionals</li> <li>16 offices throughout the country</li> <li>Extensive network covering 6,400+ "Tier 2" and "Tier 3" Investors</li> </ul>	<ul style="list-style-type: none"> <li>3<sup>rd</sup> Largest Brokerage – 11,990 advisors and support</li> <li>WFA Locations: 677</li> <li>3<sup>rd</sup> Largest Client Assets: \$1.6 trillion</li> </ul>
California Distribution Network		
<ul style="list-style-type: none"> <li>1 Municipal Sales professionals</li> <li>1 office nationwide</li> <li>Includes long and short term investors</li> </ul>	<ul style="list-style-type: none"> <li>16 Sales Professionals</li> <li>3 offices</li> <li>Proprietary accounts to Wells Fargo Bank</li> </ul>	<ul style="list-style-type: none"> <li>959 Financial Advisors in California</li> <li>400+ Financial Advisors in Los Angeles</li> <li>57 WFA offices</li> </ul>

\*Provided by Wells Fargo Securities, LLC; \*\* Provided by Wells Fargo Advisors a trade name for Wells Fargo Clearing Services LLC

1. **Institutional Sales.** WFS' institutional sales force distributes a full line of municipal products, including tax-exempt and taxable securities. Our dedicated municipal institutional sales team concentrates its efforts solely on selling municipal and structured finance products to the largest top-tier institutional municipal buyers nationwide. The municipal institutional investor base includes the key national buyers of municipal securities including 425 institutional accounts. Our Municipal Institutional Client Services Group includes 13 dedicated municipal institutional sales professionals scattered across the country. This includes coverage of large "Tier 1" high grade accounts including the top reported holders of California agricultural water districts such as BlackRock, Vanguard, Nuveen, All State Insurance, and Northern Trust, etc.<sup>2</sup> in addition to money managers, insurance companies, bank portfolios, hedge funds and pension funds. While these large institutional accounts are covered by all major broker-dealers, Wells Fargo Securities maintains a top four relationship with a majority with large institutional investors<sup>3</sup>.

Top Institutional Holders of CA Ag Water Bonds	
Old Orchard Capital Mgmt	Charles Schwab IM
BlackRock Financial Mgmt	Columbia Mgmt
Middlegate Securities	Teachers Insurance Co
Nuveen Asset Mgmt	Pine River Capital Mgmt
Cantor Fitzgerald & Co	Vanguard
Belle Haven Investments	Susquehanna Capital Mgmt
Boston Co	Thornburg Capital Mgmt
Allstate Insurance	Key Bank
Franklin Advisers	Goldman Sachs Asset Mgmt
Northern Trust	Mackay Shields

Source: WFS Municipal Underwriting Desk and IRPEO as of March 17, 2021

2. **Middle Market Distribution.** One of WFS' competitive advantages is our ability to reach middle market investors, which include small local corporations, regional insurance companies, trust departments, specialty funds, local money managers and local government through our affiliate Wells Fargo Securities, LLC ("WFS, LLC"). Most national underwriters do not focus on this investor segment because large institutional investors have been dominant in the municipal market. However, this dynamic is shifting and middle market buyers are an important investor group because they seek conservative, high-grade, fixed income investment opportunities, typically with a buy-and-hold strategy. Moreover, **middle market investors have higher interest in the 11-20 year range relative to institutional and retail investors and tend to "buy and hold" securities in the difficult "belly" of the curve.** Moreover, **middle market investors are frequent buyers and important targets for taxable financings.** WFS has approximately 80 middle-market sales professionals in 16 regional sales offices (including 3 in California that employs 16 individuals), who have relationships with more than 6,400 middle-markets investors. WFS, LLC's middle market distribution network allows us to deliver new investors to a transaction. Orders

Middle Market Participation in Ag Water Bond Sales	
Issuer	Accounts
Cawelo Water District	3
Delano Earlimart Irrigation District	2
Fresno Irrigation District	2
Kern County Water Agency	1
North Kern Water Storage District	2
Lower Tule Irrigation District	3
Oakdale Irrigation District	3
Rosedale-Rio Bravo Water Storage District	1
Shafter Wasco Irrigation District	2
Semitropic Water Storage District	3

Source: WFS Municipal Underwriting Desk and IRPEO

<sup>2</sup> Source: IPREO as of December 28, 2020

<sup>3</sup> Greenwich Associates 2018 Municipal Bond and Derivatives



**RESPONSE TO REQUEST FOR PROPOSALS – INVESTMENT BANKING / UNDERWRITER SERVICES**

from WFS, LLC’s middle market customers have made a significant difference in new-issue pricings by increasing the book of orders, creating competition for bonds, and thereby creating pressure on price. In the table on the prior page, we provide the number of WFS, LLC middle market accounts that participated in the latest financing of several agricultural water district issuers.

**3. Retail Sales.** WFS’ retail brokerage network, through our affiliate Wells Fargo Clearing Services, LLC (DBA Wells Fargo Advisors or “WFA”), maintains the third largest retail brokerage network in the country<sup>4</sup>. Our national retail platform currently employs over 11,990 full-service financial advisors and support, and has approximately \$2.0 trillion in total client held assets<sup>5</sup>. In addition to having one of the largest national retail networks, WFA maintains over 959 advisors in the State of California<sup>6</sup>. Strong retail participation in the primary market shows institutional investors that they will have a source of liquidity in the future, which encourages participation. Professional retail can take the form of separately managed accounts (“SMAs”), or the resources of high net worth retail investors, which are aggregated to create a larger pool of funds managed by a professional investment management firm. WFS actively covers the institutions that also manage SMAs, including BlackRock, Fidelity, PIMCO, etc. In the table below, we provide WFA’s retail holdings for bonds issued through California agricultural water districts.



WFA Retail Client Holdings of Agricultural Water District Bonds					
Issuer	Par Amount	Accounts	Issuer	Par Amount	Accounts
Semitropic Improvement District	\$15,447,000	386	Lower Tule Irrigation District	\$1,650,000	44
Westlands Water District	11,498,000	177	Shafter Wasco Irrigation District	1,419,000	17
Rosedale-Rio Bravo Water Storage District	9,427,000	237	United Water Conservation District	1,325,000	51
Merced Irrigation District	4,195,000	92	Delano-Earlimart Irrigation District	1,065,000	31
Madera Irrigation District	3,270,000	59	San Luis & Delta Mendota	910,000	26
North Kern/Cawelo Financing Authority	3,160,000	80	Kern Delta Water District	845,000	32
Oakdale Irrigation District	2,015,000	53	Fresno Irrigation District	580,000	7
West Kern Water District	1,765,000	50	Lindsay-Strathmore Irrigation District	435,000	21

Source: Wells Fargo Clearing Service LLC as of July 10, 2020

**California Water Experience.** Since March 2020, WFS has served as senior/sole manager on over \$1.0 billion of California Water/Wastewater Revenue Bonds. Of this amount, WFS sole managed 3 financings totaling \$68.2 million for California Agricultural issues including Lower Tule River Irrigation District, Rosedale-Rio Bravo Water Storage District and Shafter-Wasco Irrigation District. In the table below, we provide a summary of our senior managed financings for California Water/Wastewater since March 2020. We have provided case studies highlighting WFS’ ability to effectively structure and sell California Agricultural Water Enterprise Revenue Bonds.

WFS’ Senior/Sole Managed California Water Revenue Bonds Experience Since March 2020						
Sale Date	Issuer	Par Amount (\$mm)	Series	Type	Role	Bid Type
4/1/2021	So California Metropolitan Water District	271.815	2021 Series B	Water Revenue Refunding Bonds	DP*	DP*
3/25/2021	Calleguas Municipal Water District	39.145	Series 201A	Revenue Refunding Green Bonds	Sole	N
<b>10/7/2020</b>	<b>Shafter-Wasco Irrigation District</b>	<b>9.410</b>	<b>Series 2020 A</b>	<b>Refunding Revenue Bonds</b>	<b>SOLE</b>	<b>N</b>
<b>9/10/2020</b>	<b>Rosedale-Rio Bravo Water Storage District</b>	<b>25.695</b>	<b>Series 2020 A</b>	<b>Refunding Revenue Bonds</b>	<b>SOLE</b>	<b>N</b>
<b>9/10/2020</b>	<b>Rosedale-Rio Bravo Water Storage District</b>	<b>28.715</b>	<b>Series 2020 B</b>	<b>Refunding Revenue Bonds</b>	<b>SOLE</b>	<b>N</b>
<b>8/26/2020</b>	<b>Lower Tule River Irrigation District</b>	<b>13.81</b>	<b>Series 2020 A</b>	<b>Refunding Revenue Bonds</b>	<b>SOLE</b>	<b>N</b>
6/9/2020	So California Metropolitan Water District	267.995	2020 Series C	Water Revenue Refunding Bonds	LEAD	N
6/4/2020	Los Angeles Department of Water & Power	204.255	2020 Series A	Water System Revenue Bonds	LEAD	N
4/23/2020	So California Metropolitan Water District	271.815	2020 Series B	Water Revenue Refunding Bonds	DP*	DP*

Source: SDC Thomson Reuters True Economics to Bookrunner

\*DP = WFBNA Direct Purchase is a product of Wells Fargo Bank N.A. and is subject to credit approval

<sup>4</sup> Source: WIM FP&A as of December 31, 2020

<sup>5</sup> WFA statistical information as of December 31, 2020. Data is a combination of Wells Fargo Clearing Services, LLC; Wells Fargo Advisors Financial Network; LLC and First Clearing, LLC.

<sup>6</sup> Wells Fargo Internal Database as of December 31, 2020



**Case Study: \$39,145,000 Calleguas Municipal Water District Refunding Revenue Bonds, Series 2021A (Taxable | Green Bonds).**

WFS Banking Team: Michael Engelbrecht, Tom Wynne, Robert Suh, Scott Goldstein

In March 2021, WFS served as sole manager on Calleguas Municipal Water District’s Taxable Refunding Revenue Bonds transaction. Leading up to the transaction, WFS worked closely with the District, its Financial Advisor, and developed a rating strategy to secure a ratings outlook upgrade from “Stable” to “Positive” by S&P only months after S&P’s October 2020 review of the District. The transaction was assigned a Aa2/AA ratings from Moody’s and S&P, respectively, and was designated as “Green Bonds” since the proceeds were used to advance refund bonds used to provide environmental benefits to the District’s customers and the a region of Ventura County that the District services. During the order period, the District’s transaction garnered the interest of 21 diverse accounts including several ESG accounts such as Breckinridge Capital and RBC Global Asset Management. Additionally State Farm Insurance (who provided the largest order), asset managers and several local California middle market accounts participated leading to an oversubscription of 3.9x for the entire Taxable series. With strong subscriptions in each maturities, WFS lowered final spreads by 5 - 15 bps across. In particular, the District’s 2-year maturity had a “0” spread against the 2-year UST. As a result, the District was able to achieve an all-in TIC of 2.22% and generated over \$2.7 million in NPV savings (7.9% of refunded par).

**Case Study: \$54,410,000 Rosedale-Rio Bravo Water Storage District, Refunding Revenue Bonds Series 2020A (Tax-Exempt) and Series 2020B (Taxable) – BAM Green Star Bonds.**

WFS Banking Team: Michael Engelbrecht, Tom Wynne, Robert Suh, Scott Goldstein

In September 2020, WFS served as sole manager on the Rosedale-Rio Bravo Water Storage District’s Refunding Revenue Bonds transaction. The refunding bonds were used to current and advance refund the District’s outstanding tax-exempt Series 2010, 2011A and 2013A Certificates of Participation, and the 2018A (Tax-Exempt) and 2018B (Taxable) Warrants for purposes of generating debt service savings and to eliminate the debt service reserve fund requirements.. The refunding revenue bonds were structured with matching maturities to the outstanding COPs, whereas, the bonds used to refund 2018AB Warrants were structured to extend the amortization by 7 years. The District elected to utilize insurance (Build America Mutual) and also released the prior debt service reserve funds for future capital improvement programs. The resulting underlying rating of the transaction was S&P A and an insured rating of S&P AA. During the order period, 26 investors participated, leading to an oversubscription of 2.9x for the Tax-Exempt Series and 4.4x for the Taxable Series. The District drew a diverse base of investors, including SMAs, bonds funds, hedge funds, and private wealth managers. WFS lowered final spreads by 2 - 10 bps along the curve from the 2021 to 2042 maturities. The District was able to achieve an all-in TIC of 2.47% and generated over \$9.7 million in NPV savings (18.04% of refunded par).

2. *Please describe your experience working as underwriter for publicly sold debt for California agricultural water agencies in the last ten years. Please indicate whether you were senior manager or co-manager for each transaction.*

**Experience with California Agriculture Water Agencies.** WFS has committed substantial resources toward meeting the financing needs of California agriculture water agencies, and views this sector as an important part of its Public Finance Department’s long-term business strategy. Our breadth of experience spans a diverse group of water, irrigation and water storage districts throughout the Central Valley that import CVP contract water and California State Water Project water. Our commitment to this sector allows us to provide the District with sound advice, creative financing ideas and a broad distribution network to place the proposed bonds with the goal of achieving the lowest cost of financing. WFS’ leadership in this sector is exemplified by the significant number of transactions completed for California agricultural water agency issuers located throughout the Central Valley. **Since 2009, WFS has served as sole underwriter on 29 financings for California agricultural water agencies with an aggregate par amount of \$787.85 million.**<sup>7</sup>

**WFS Experience as Underwriter for California Agricultural Water Agencies**

Sale Date	Agency	Par (\$mm)	Issue Description	Role	Type
10/7/2020	Shafter Wasco Irrigation District	9.14	Refunding Revenue Bonds	Sole Mgr	E
9/10/2020	Rosedale-Rio Bravo Water Storage District	54.41	Refunding Revenue Bonds	Sole Mgr	E/T
8/26/2020	Lower Tule River Irrigation District	13.81	Refunding Revenue Bonds	Sole Mgr	E
6/4/2020	Westlands Water District	225.275	Revenue Bonds	Co-Mgr	T
12/11/2019	Delano Earlimart Irrigation District	14.9	Refunding Revenue Bonds	Sole Mgr	E
10/30/2019	Semitropic Water Storage District	70.9	Refunding Revenue Bonds	Sole Mgr	T
9/19/2017	Semitropic Water Storage District	52.375	Refunding Revenue Bonds	Sole Mgr	E
10/19/2016	North Kern/Cawelo Financing Authority	8.71	Water Revenue Bonds	Sole Mgr	E
8/23/2016	Oakdale Irrigation District	26.165	Water Revenue Refunding Bonds	Sole Mgr	E
3/23/2016	Kern County Water Agency	89	Water Revenue Refunding Bonds	Sole Mgr	E/T

<sup>7</sup> Source: SDC Securities Data Corp 1/1/2009 to 10/1/2019


**RESPONSE TO REQUEST FOR PROPOSALS – INVESTMENT BANKING / UNDERWRITER SERVICES**
**WFS Experience as Underwriter for California Agricultural Water Agencies**

Sale Date	Agency	Par (\$mm)	Issue Description	Role	Type
7/16/2015	North Kern/Cawelo Financing Authority	12.24	Water Revenue Bonds	Sole Mgr	E
3/26/2015	Kern Delta Water District	5.29	Water Revenue Refunding Bonds	Sole Mgr	E
2/25/2015	Semitropic Water Storage District	32.425	Second Lien Revenue Bonds	Sole Mgr	E
3/20/2014	Semitropic Water Storage District	19.955	Second Lien Revenue Bonds	Sole Mgr	E
8/20/2013	Semitropic Water Storage District	9.645	Second Lien Revenue Bonds	Sole Mgr	E
6/19/2013	Rosedale-Rio Bravo Water Storage District	29.61	Rev Certificates of Participation	Sole Mgr	E
8/16/2012	Semitropic Water Storage District	89.48	Water Banking Revenue Ref Bonds	Sole Mgr	E/T
9/29/2011	Rosedale-Rio Bravo Water Storage District	15.575	Rev Certificates of Participation	Sole Mgr	E/T
4/12/2011	Madera Irrigation District	32.44	Water Revenue Bonds	Sole Mgr	E
11/3/2010	Fresno Irrigation District	22.2	Water Revenue Refunding Bonds	Sole Mgr	E
11/3/2010	Lindmore Irrigation District	6.82	Rev Certificates of Participation	Sole Mgr	E
11/3/2010	Lindsay-Strathmore Irrigation District	6.06	Rev Certificates of Participation	Sole Mgr	E
11/3/2010	Lower Tule River Irrigation District	22.2	Revenue Certs of Participation	Sole Mgr	E
11/3/2010	Shafter Wasco Irrigation District	14.435	Revenue Certs of Participation	Sole Mgr	E
8/18/2010	Rosedale-Rio Bravo Water Storage District	10.085	Revenue COPs	Sole Mgr	E
5/12/2010	North Kern/Cawelo Financing Authority	10.715	Water Revenue Bonds	Sole Mgr	E
12/10/2009	United Water Conservation District	15.465	Certificates of Participation	Sole Mgr	E
9/24/2009	Semitropic Water Storage District	51.08	Refunding Revenue Bonds	Sole Mgr	E
2/19/2009	Oakdale Irrigation District	32.145	Certificates of Participation	Sole Mgr	E
2/12/2009	Orange Cove Irrigation District	10.575	Water Revenue Refunding Bonds	Sole Mgr	E

Source: SDC Securities Data Corp 1/1/2009 to 12/31/2020

**Sector Credit Expertise.** In addition, WFS' long-term dedication to this sector goes back far beyond the lookback period specified in the RFP. **Since 2004, WFS served on a total of 41 financings which total in \$993.4 million in par amount for California agricultural water agencies,** many of which were inaugural issuances for the agencies listed in the table above.<sup>8</sup> WFS is also a leader in working with issuers to obtain initial ratings for inaugural financings. The table to the right, illustrates our success in providing agriculture water districts obtain first time underlying ratings as well as upgrades.

More notably, **Michael Engelbrecht, Managing Director and Head of WFS West Region,** will serve as team leader for the District's upcoming financing. In 2010 and 2011, Michael served as **sole manager on 9(d) conversion financings for five of the Friant Division contractors** in connection with the San Joaquin River

Restoration Settlement Act. Michael has more than 30 years of municipal securities experience and has exclusively worked with numerous agriculture water districts throughout California. His experience with agriculture water districts and in-depth understanding of credit factors including water supply, storage capacity, groundwater banking and JPA structures will prove to be an invaluable asset to the District.

**Wells Fargo Securities Experience with First Time California Agriculture Water Issues / Inaugural Credits**

Date	Par (\$mm)	Issuer	Initial Ratings*	Ratings Upgrade*
2015	5.2	Kern Delta Water District	A+	-
2010	6.8	Lindmore Irrigation District	A+	-
2010	6.0	Lindsay-Strathmore Irrigation District	AA-	-
2010	22.2	Lower Tule River Irrigation District	A+	-
2010	14.4	Shafter Wasco Irrigation District	A+	-
2010	10.0	Rosedale-Rio Bravo Water Storage Dist.	AA+	-
2010	35.0	West Kern Water District	AA-	-
2010	6.2	North Kern Water Storage District	AA	-
2009	15.4	United Water Conservation District	AA	-
2009	32.1	Oakdale Irrigation District	AA	-
2009	10.6	Orange Cove Irrigation District	A+	-
2008	40.0	Madera Irrigation District	A-	AA
2007	160.0	Antelope Valley-East Kern Water Agency	Aa3/AA-	AA
2007	16.6	Fresno Irrigation District	A+	AA
2005	23.0	Semitropic Water Storage District (Net Revenue)	A-	AA-
2004	50.0	Semitropic Water Storage District (Water Banking)	A-	A+

Source: SDC Thomson Reuters from 1/1/2004 to 12/31/2015. Initial ratings are based on ratings received for each respective transaction and ratings upgrades are based on ratings received in the issuers subsequent financings or refundings

<sup>8</sup> Source: SDC Thomson Reuters 1/1/2014 to 10/1/2019 True Economics to Bookrunner





**RESPONSE TO REQUEST FOR PROPOSALS – INVESTMENT BANKING / UNDERWRITER SERVICES**

We have provided brief case studies demonstrating our valuable water credit expertise.

**Case Study: Orange Cove Irrigation District.** The District serves only agriculture customers in Fresno County and relies solely on imported water received through its CVP contract. Without meaningful groundwater the District was perceived by the rating agencies as a “BBB” credit. WFS worked with the District and developed a financing plan which highlighted the District’s ability to maintain debt service and fixed charge coverage in a worst case scenario which included reduced water deliveries due to environmental and legal challenges faced by the Friant Division contractors. The result was an underlying “A+” rating from Standard & Poor’s which allowed to the District to generate debt service savings by successfully refunding outstanding bonds.

**Case Study: Oakdale Irrigation District.** The District provides agriculture and M&I water and relies heavily on hydroelectric power revenue to annually balance their budget. As a first time issuer finding an investment banker with proven experience representing agriculture water agencies was the District’s first priority. The District selected WFIS as sole underwriter to assist in obtaining an underlying rating and achieve a competitive pricing. We worked with the District to demonstrate the value of their pre-1914 water rights and developed a financial model which projected a worst case power revenue scenario based on the lowest historical three-year water run-off since the early 1900’s. Our detailed analysis and thorough description of the value of the District’s water rights resulted in an underlying “AA” rating for the District and allowed the District to obtain very competitive pricing on their inaugural issue.

3. *Please describe your experience with financings the proceeds of which were used to prepay capital owed to (a) the Bureau of Reclamation in connection with a 9(d) contract conversion or (b) to another federal agency under a similar federal program.*

**Financings Used to Prepay Capital Owed to the U.S. Bureau of Reclamation.**

The depth of our financing experience where proceeds were used to prepay capital specifically to the U.S. Bureau of Reclamation (“USBR”) has established WFS **as a top underwriter in this category of financings** for California agricultural water issuers and positions our team well to serving the District. Since 2010, WFS served as sole manager on 8 financings related to 9(d) contract conversions with an aggregate par amount of approximately \$159.3 million for six Friant Unit Contractors as part of the historic San Joaquin River Restoration Settlement Act – more than any other investment banking firm. These landmark financings, which were led by Michael Engelbrecht, further demonstrate our firm’s ability to provide high level investment banking and innovative ideas to enhance the ongoing financial objectives of California Agriculture Water Agencies.

**9(d) Financings**

<p><b>Shafter-Wasco Irrigation District</b>                      \$9,410,000                      Refunding Revenue Bonds                      Sole Manager                      October 2020</p>	<p><b>Rosedale-Rio Bravo Water Storage District</b>                      \$54,410,000                      Refunding Revenue Bonds                      Sole Manager                      September 2020</p>	<p><b>Lower Tule Irrigation District</b>                      \$13,810,000                      Refunding Revenue Bonds                      Sole Manager                      August 2020</p>	<p><b>Madera Irrigation District</b>                      \$32,440,000                      Water Revenue Bonds                      Sole Manager                      April 2011</p>
<p><b>Lindmore Irrigation District</b>                      \$6,820,000                      Revenue COPs                      Sole Manager                      November 2010</p>	<p><b>Lindsay-Strathmore Irrigation District</b>                      \$6,060,000                      Revenue COPs                      Sole Manager                      November 2010</p>	<p><b>Lower Tule River Irrigation District</b>                      \$22,200,000                      Revenue COPs                      Sole Manager                      November 2010</p>	<p><b>Shafter Wasco Irrigation District</b>                      \$14,435,000                      Revenue COPs                      Sole Manager                      November 2010</p>

Source: WFS Municipal Underwriting Desk and SDC Thomson Reuters

**San Joaquin River Restoration Settlement Act Financings.** Beginning in 2007 until completion in 2011, WFS worked with the Friant Unit Contractors providing analyses of the financial impact of the proposed conversion to 9(d) Repayment Contracts as part of the historic San Joaquin River Restoration Settlement Act. Our analyses included the budget impact of transitioning from a volumetric CVP capital charge to a fixed debt service charge and determining the impact on the Congressional Budget Office PAYGO score of future reduced surcharges.

4. *Provide a summary of your financing plan(s) for the proposed transaction, including the effect of the proposed financing plan on obtaining an investment grade rating, and other considerations you deem relevant. The financing plans should expressly discuss the benefits or drawbacks of obtaining bond insurance and/or a debt service reserve surety and its impact on the pricing.*

**Overview.** Based on District’s 2021 Engineer’s Report in Support of Proposition 218 Assessment Ballot proceeding, the District plans to finance on a tax-exempt basis \$11,172,832 to pay off its existing USBR Obligation. Additionally, the District plans to finance \$8,261,461 to pay off the USBR Agreement Implementation which we view as a working capital expense as the proceeds will be used to compensate the Bureau for water diverted from the Delta Mendota and San Luis canals between 2009 and 2015. As a working capital expense, we believe the related financing would be taxable.

Our plan of finance assumes the successful adoption of USBR Related special benefit assessments in an amount equal to 110% of annual debt service with the assessment revenue specifically pledged to payment of debt service. We also assume that the special assessment is levied and collected in time to make the Series 2021 instalment payments which are defined as beginning August 31, 2022 and the last day of each February

and last day of August thereafter.<sup>9</sup> We also assume the establishment and funding at closing of a rate stabilization fund in the amount of annual debt service.<sup>10</sup> Based on these assumptions, we assume an “A-” credit rating and no debt service reserve fund which is similar to the structure utilized by Lower Tule River Irrigation District which is currently rated “A-” by Standard & Poor’s. Based on these assumptions, we present the following financing alternatives for the District to consider.

**Alternative 1, Tax-Exempt and Taxable Series: 30-Year Aggregate Level Debt Service.** For our first alternative, we propose a single issuance which consists of the following series of bonds:

- Tax-Exempt Series (“Series A”) which will generate net proceeds of \$11.1 million to retire the District’s USBR Obligation.
  - Taxable Series (“Series B”) which will generate net proceeds of \$8.1 million to pay the District’s USBR Agreement Implementation.
- Each series is structured to produce level debt service payments over a 30-year period. A summary of our preliminary results are shown in the table below. In aggregate, Alternative 1 generates \$19.4 million in total proceeds and produces average annual debt service of \$1.0 million with an All-in TIC of 3.312%.

**Financing Results for Alternative 1**

	Tax-Exempt, Series A	Taxable, Series B	Total
Par Amount	\$9,820,000	\$8,360,000	<b>\$18,180,000</b>
Premium	\$1,463,860	\$0	<b>\$1,463,860</b>
Project Fund	\$11,172,832	\$8,261,461	<b>\$19,434,293</b>
All-in TIC	2.967%	3.764%	<b>3.312%</b>
Arbitrage Yield	2.239%	3.675%	<b>3.675%</b>
Average Life (yrs)	19.06	18.47	<b>18.79</b>
Avg. Annual D/S FY2022 – 39	\$566,746	\$465,174	<b>\$1,031,920</b>
Avg. Annual D/S FY2040 – 51	\$566,746	\$465,174	<b>\$1,031,920</b>
Total Interest	\$7,366,567	\$5,746,415	<b>\$13,112,982</b>
Total Debt Service	\$17,186,567	\$14,106,415	<b>\$31,292,982</b>
Assessment/Acre	\$14.76	\$12.11	<b>\$26.87</b>

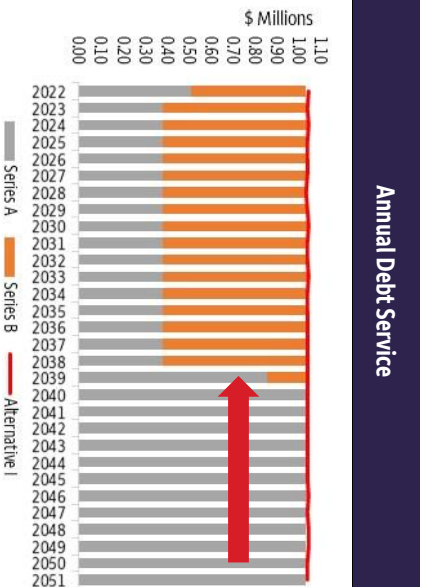
Assumes: Delivery Date of May 4, 2021, Principal Due Date of September 1<sup>st</sup>, Interest Rates as of March 26, 2021, and assumes 10-year par call feature for both series of bonds; Underlying Ratings of A-, Cost of Issuance of \$150,000; Underwriter’s Discount of \$3.00 per bond. Assessment per acre assumes 38.410 benefit acres.



**Alternative 2, Tax-Exempt and Taxable Series: 30-Year Aggregate Level Debt Service – Accelerated Amortization for Taxable, Series B.** For our second alternative, we maintain aggregate level debt service, but shorten the amortization of Series B in order to reduce the All-in TIC (if allowable under the proposed proposition 218 language). As the District is aware, the treasury market as of late has sold off due to concerns in part over inflation. As a result, we have seen the UST yield curve steepen dramatically with the 10-year and 30-year Treasury rates increasing 109 and 135 basis points, respectively from their historic lows on March 9, 2020.<sup>11</sup> By shortening the amortization of Series B to FY2039 (as shown in the table below), the District is able to take advantage of lower tax-exempt yields on the long-end of the curve and reduce overall interest payments by approximately \$638,000. In addition, the All-in TIC would be reduced from 3.312% to 3.248%.

**Financing Results for Alternative 2**

	Tax-Exempt, Series A	Taxable, Series B	Total
Par Amount	\$10,210,000	\$8,355,000	<b>\$18,565,000</b>
Premium	\$1,080,489	\$0	<b>\$1,080,489</b>
Project Fund	\$11,172,832	\$8,261,461	<b>\$19,434,293</b>
All-in TIC	3.238%	3.275%	<b>3.248%</b>
Arbitrage Yield	2.533%	3.145%	<b>3.145%</b>
Average Life (yrs)	24.95	10.33	<b>18.37</b>
Avg. Annual D/S FY2022 – 39	\$417,755	\$616,978	<b>\$1,033,563</b>
Avg. Annual D/S FY2040 – 51	\$1,034,529	\$0	<b>\$1,033,563</b>
Total Interest	\$9,723,938	\$2,750,608	<b>\$12,474,546</b>
Total Debt Service	\$19,933,938	\$11,105,608	<b>\$31,039,546</b>
Assessment/Acre FY2022 – 39	\$10.88	\$16.06	<b>\$26.65</b>
Assessment/Acre FY2040 – 51	\$26.93	\$0.00	<b>\$26.65</b>

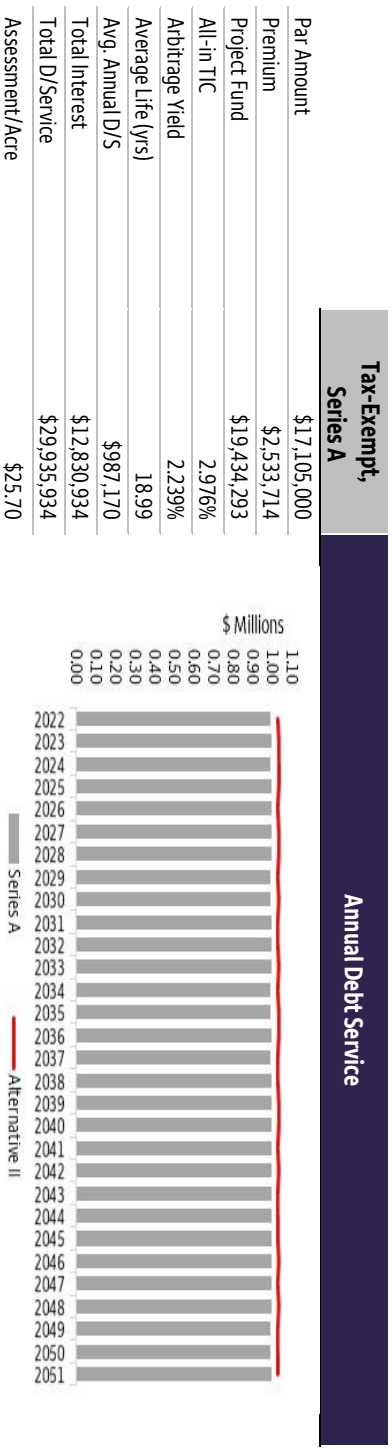


Assumes: Delivery Date of May 4, 2021, Principal Due Date of September 1<sup>st</sup>, Interest Rates as of March 26, 2021, and assumes 10-year par call feature for both series of bonds; Underlying Ratings of A-, Cost of Issuance of \$150,000; Underwriter’s Discount of \$3.00 per bond. Assessment per acre assumes 38.410 benefit acres.

<sup>9</sup> Section 1.01 page 8 of the Draft Installment Purchase Agreement dated May 1, 2021, Panochle WD Board Agenda, January 12, 2022  
<sup>10</sup> Section 5.07 page 17 of the Draft Installment Purchase Agreement dated May 1, 2021, Panochle WD Board Agenda, January 12, 2022  
<sup>11</sup> Source: Bloomberg as of March 26, 2021.

**Alternative 3. Single Tax-Exempt Series: 30-Year Level Debt Service.** For our third alternative, we show a single series of tax-exempt bonds in the event that Bond Counsel opines that the proceeds used for the USBR Agreement Implementation qualify as a tax-exempt purpose. A summary of our preliminary results are shown in the table below. Alternative 3 generates \$19.4 million in total proceeds and produces average annual debt service of \$987,000 with an All-in TIC of 2.976%.

**Financing Results for Alternative 3**



Assumes: Delivery Date of Mar 4, 2021, Principal Due Date of September 1<sup>st</sup>, Interest Rates as of March 26, 2021 and assumes 10-year par call feature; Underlying Ratings of A-, Cost of Issuance of \$150,000; Underwriter's Discount of \$3.00 per bond; Assessment per acre assumes 38.410 benefit acres.

**Bond Insurance.** We believe the District may benefit from securing an insurance bid from both a yield benefit and from a marketing standpoint. In the current market, bond insurance could potentially provide a yield benefit of 0.10% to 0.15%. However, the upfront premium charged by insurers occasionally outweighs the yield benefit that the issuers would receive from bond insurance. Based on current market conditions, we generated a break even analysis and determined that the insurance premium would need to be lower than 0.843% of total adjusted debt service. Additionally, we have experienced reluctance from both Assured Guaranty (AGM) and Build America Mutual (BAM) in providing bond insurance to agricultural water agencies. Our recent experience with both Lower Tule River Irrigation District and Shafter-Wasco Irrigation District underscores the reluctance. In particular, AGM views debt secured with special assessment revenue as land-backed credits which requires a higher level of reserves resulting in a higher fee. BAM has historically passed on pure agricultural water credits. With this background in mind, we suggest the District seek bond insurance as a matter of due diligence. If bond insurance is available, the insurer may require a debt service reserve fund. If this is the case, we suggest the District request pricing for a debt service reserve surety policy. Recent surety policy fees have produced value over fully funded debt service reserve funds as reinvestment rates have recently been at levels below the arbitrage yields. As senior manager, WFS would work with the District and Fieldman to produce a cost/benefit analysis of both the bond insurance fee and reserve fund surety policy.

**5. Please provide case studies for three transactions you believe are most comparable to the District's proposed transaction.**

Below are three public market case studies that we believe are comparable to the District's proposed transaction. Each case study represents transactions which enabled WFS to gain in-depth working knowledge of the issues facing the District and enhanced our ability to directly address questions and concerns raised by rating agency and investor credit analysts. The recent Lower Tule River Irrigation District case study is most relevant to the District's proposed financing as the security is comprised of dedicated special assessment revenue, thin net operating revenue and no debt service reserve fund. The transaction was assigned an "A-" underlying rating by Standard & Poor's.

**Case Study: \$13,810,000 Lower Tule River Irrigation District, Refunding Revenue Bonds Series 2020A (Tax-Exempt).**

WFS Banking Team: Michael Engelbrecht, Tom Wynne, Robert Suh, Scott Goldstein

In August 2020, WFS served as sole manager on the Lower Tule River Irrigation District's Refunding Revenue Bonds transaction. The transaction was assigned an "A-" rating by Standard & Poor's. The refunding bonds were used to current refund the District's outstanding tax-exempt Series 2010A Bonds for purposes of generating debt service savings and to eliminate the debt service reserve fund requirements. The prior Series 2010A Bonds were used to acquire a permanent contractual right to purchase water in accordance with the U.S. Bureau of Reclamation. The refunding revenue bonds were structured to defer savings and shorten the existing amortization by 6-years. In doing so, the District realized a total of \$7.5 million in gross savings. During the order period, 9 investors participated, leading to an oversubscription of 1.7x for the entire Tax-Exempt Series. The District drew a diverse base of investors, including local investor managers as well as 3 middle market investors, 2 of which are small corporations located in Bakersfield. With strong subscriptions in the 2021 – 2025 maturities, WFS lowered final spreads in those years by 2 - 3 bps. The District was able to achieve an all-in TIC of 1.87% and generated over \$5.8 million in NPV savings (33.1% of refunded par).



**Case Study: \$9,410,000 Shafter-Wasco Irrigation District, Refunding Revenue Bonds Series 2020A (Tax-Exempt).**

WFS Banking Team: Michael Engelbrecht, Robert Suh, Scott Goldstein

In October 2020, WFS served as sole manager on the Shafter-Wasco Irrigation District's Refunding Revenue Bonds transaction. The refunding bonds were used to current refund the District's outstanding tax-exempt Series 2010A Bonds for purposes of generating debt service savings and to eliminate the debt service reserve fund requirements. The prior Series 2010A Bonds were used to acquire a permanent contractual right to purchase water in accordance with the U.S. Bureau of Reclamation. The refunding revenue bonds were structured with matching maturities to the outstanding. During the order period, 13 investors participated, leading to an oversubscription of 1.9x for the entire Tax-Exempt Series. The District drew a diverse base of investors, including SMAs, bonds funds, hedge funds, and private wealth managers. With strong subscriptions in maturities, WFS lowered final spreads in years 2021 – 2025, 2030 – 2034 and 2038-2039 by 2 - 3 bps. The District was able to achieve an all-in TIC of 2.49% and generated over \$3.0 million in NPV savings (26.0% of refunded par).

**Case Study: \$14,970,000 Delano-Earlimart Irrigation District, Refunding Revenue Bonds, Series 2019A (Tax-Exempt).**

WFS Banking Team: Michael Engelbrecht, Robert Suh, Scott Goldstein

In December 2019, WFS served as sole manager on the Delano-Earlimart Refunding Revenue Bonds, Series 2019A transaction. The refunding bonds were used to current refund the District's outstanding tax-exempt Series 2010A Certificates of Participation and to eliminate the debt service reserve fund requirements. The prior Series 2010A COPs were used to acquire a permanent contractual right to purchase water in accordance with the U.S. Bureau of Reclamation. The refunding revenue bonds which was rated "AA-" by S&P were structured to defer savings and shorten the existing amortization by 6-years. In doing so, the District realized a total of \$8.7 million in gross savings. During the order period, 8 investors participated, leading to an oversubscription of 1.5x. The District drew a diverse base of investors, including SMAs such as JP Morgan Asset Management, BlackRock Asset Management and Western Asset Management as wells as U.S. Trust. With oversubscriptions in years 2021 – 2025, 2032 and 2035, WFS lowered final spreads by 2 - 3bps in those maturities. The District was able to achieve an all-in TIC of 2.12% and generated over \$6.67 million in NPV savings (31.821% of refunded par).

*6. Disclose or discuss any potential conflicts of interest your firm may have in acting as underwriter for the District.*

WFS is not aware of any conflicts of interest, and shall not knowingly acquire any conflicts of interest, either directly or indirectly, which would materially conflict in any manner or degree with the performance of our services as underwriter for the District as contemplated under this RFP. WFS will disclose any standard conflict of interests in its letter to you that is required by MSRB Rule G-17, in the event that WFS is selected to serve as underwriter. In addition, we will alert the District immediately if any conflicts should become known.

**III. QUALIFICATIONS**

- 1. List or summarize your firm's experience as senior managing underwriter for California-based water enterprise revenue obligations, taxable and tax-exempt, in the last 5 years. This list may be included as an appendix. If included as an appendix, please include a summary in the body of the RFP.*

**Leading Water Financing Expertise.** WFS has a long history of serving California water issuers by underwriting primary negotiated offerings, serving as a remarketing agent, dealer on commercial paper programs, and providing secondary market liquidity. **Since 2015, Wells Fargo Securities has senior managed more than \$3.9 billion of water revenue bond financings for California entities. Of this amount, WFS executed 13 financings totaling \$339.9 million for California agricultural water agencies<sup>12</sup>.** Entities served during this time include the Los Angeles Department of Water and Power, Metropolitan Water District of Southern California, Santa Clara Valley Water District, Zone 7 Water Agency, Kern County Water Agency, Calleguas Municipal Water District, Oakdale Irrigation District, Fresno Irrigation District, Cawelo Water District, Semitropic Water Storage District, Rosedale-Rio Bravo Water Storage District and Antelope Valley-East Kern Water Agency. Our experience serving as underwriter provides us with invaluable experience speaking with investors and rating agencies about the key trends and issues impacting California water issuers. In the table on the following page, please find a detailed list of WFS' California Water Revenue Bond Experience. Please see **Appendix I** for as summary of WFS' Senior/Sole managed California-based water revenue bonds financings.

<sup>12</sup> Source: Thomson Reuters CA water & sewer revenue new issues underwritten by WFS from 1/1/2015 – 3/22/2020, true economics to book runner



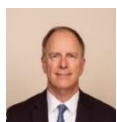
## RESPONSE TO REQUEST FOR PROPOSALS – INVESTMENT BANKING / UNDERWRITER SERVICES

2. Provide a proposed project team, including your underwriter, including the resumes and roles of each team member. Provide each team member's experience over the last 5 years with California water enterprise revenue obligations (senior managed transactions only). The resumes may be included as an appendix.

**Proposed Project Team.** Wells Fargo stands ready to commit its full resources to deliver top-quality services to the District by utilizing professionals from across our diverse platform. Each member of the District's dedicated financing team has relevant experience working with California water enterprise revenue obligations. Perhaps most importantly, our team brings to bear significant understanding and history of California Water System issuers and various financing mechanisms used.

Key Personnel Serving Panoche Water District			
Role	Professional and Title	Office Location	Contact Information
<b>WFS Public Finance Investment Banking</b>			
Lead Banker	<b>Michael Engelbrecht</b>	333 S. Grand Ave., Fl. 5	✉: michael.j.engelbrecht@wellsfargo.com
Day-to-Day Contact	Managing Director, Head of West Region	Los Angeles, CA 90071	☎: (213) 253-7219
Senior Banker	<b>Tom Wynne</b>	333 S. Grand Ave., Fl. 5	✉: tom.wynne@wellsfargo.com
Day-to-Day Banker	Director	Los Angeles, CA 90071	☎: (213) 253-7210
<b>Investment Banking Support</b>			
Quantitative Structuring	<b>Scott Goldstein</b> Director	1700 Lincoln St., Fl. 21 Denver, CO 80203	✉: scott.goldstein@wellsfargo.com ☎: (303) 863-6265
Credit Strategies	<b>Kristen Fontana</b> Director	30 Hudson Yards, Fl. 62 New York, NY 10001	✉: kristen.fontana@wellsfargo.com ☎: (212) 214-2836
Support	<b>Robert Suh</b> Associate	333 S. Grand Ave., Fl. 5 Los Angeles, CA 90071	✉: robert.m.suh@wellsfargo.com ☎: (213) 253-7265
Support	<b>Joanna Chen</b> Analyst	30 Hudson Yards, Fl. 62 New York, NY 10001	✉: joanna.chen@wellsfargo.com ☎: (646) 592-3096

Below, we provide brief resumes of our proposed financing team for the District. In addition, we provide a summary of each members deal experience in **Appendix I** of our response



**Michael Engelbrecht**, *Managing Director*, is Co-Head of the West Region and Utilities for WFS. Mr. Engelbrecht has more than 30 years of capital markets experience during which he has provided investment banking services to water utilities, special districts and general municipal clients nationally. His water utility experience includes senior managed financings totaling in excess of \$15.0 billion for 141 separate water utility deals since 2015 and includes serving as senior and sole manager on financings for agricultural water agencies, urban water agencies, wholesale water agencies and direct retail water agencies. He has played a pivotal role in leading some of the largest utility financings that come to market, including: \$628.6 million of bonds for Los Angeles Department of Water and Power, \$765.8 million financing for the State of California Department of Water and Resources, \$413.1 million issuance for Great Lakes Water Authority, \$192.8 million financing for East Bay Municipal Utility District, \$250 million financing for Ohio Water Development Authority, among others. Michael has assisted clients with several unique financing structures including securitizations of third-party contracts for underground water banking facilities, financings to facilitate the historic San Joaquin River Restoration Settlement Act and Green Bond financings. Mr. Engelbrecht holds a Master's Degree in Finance from the University of Southern California and a bachelor's degree in business economics from Wheaton College. Mr. Engelbrecht maintains his Series 7 and 63 securities registrations. Mr. Engelbrecht currently serves on the board of the Urban Water Institute.



**Tom Wynne**, *Director and West Banking Lead*, has over 18 years of combined municipal finance experience in the western region. He brings a wealth of experience with water/wastewater utility financings having worked as senior banker for issuers including the cities of Los Angeles, Long Beach, Burbank, Anaheim, Pittsburg, Phoenix, Glendale, Tucson and Gilbert, Los Angeles Department of Water and Power, Imperial Irrigation District, Las Vegas Valley Water District, Truckee Meadows Water Authority, and Arizona Water Infrastructure Finance Authority among others. Mr. Wynne graduated with a MBA from Oxford University and a BA in Finance and Marketing from the University of Colorado. He holds Series 7, 63 and 79 licenses.

### Investment Banking Support | Quantitative Structuring, Credit Strategy and Banking Support.



**Scott Goldstein**, *Capital Markets, Director*, will provide the County with his quantitative structuring and technical expertise. He has over 30 years of experience in investment banking as a quantitative specialist with extensive understanding of bond related tax code issues. He has structured over 1,000 senior managed municipal transactions with significant emphasis for refunding and structured financial solutions. His primary focus has been in the area of utilities system revenue, higher education, and general infrastructure issues. He has been instrumental in developing and applying several refunding innovations, providing analytical decision making framework for cash market and risk management solutions as well as improving escrow efficiencies to help issuers lower their cost of capital or overall funding cost. Mr. Goldstein is a graduate of the University of Maryland, College Park, Maryland, where he earned a BS degree in business with an emphasis



## RESPONSE TO REQUEST FOR PROPOSALS – INVESTMENT BANKING / UNDERWRITER SERVICES

in finance and accounting. He received his MBA in finance from George Washington University, Washington, D.C. He holds Series 7 and 63 licenses.



**Kristen Fontana**, *Director*, serves as the banking team's credit strategist and will work closely with the banking team to develop and provide guidance on content and structure for credit presentations to investors and rating agencies. Ms. Fontana joined WFS upon graduation from the University of Chicago where her graduate work focused on public finance and included research at the U.S. Office of Management and Budget as well as a consulting project with the Chicago Community Trust. Prior to graduate school, Kristen spent a combined six years at two large investment banks where she both fostered relationships with institutional equity clients and provided analytical support for the credit derivatives business. She has worked with a variety of issuers including state, local, water and sewer as well as transportation agencies. Ms. Fontana graduated cum laude with a BS in Finance from the University of Maryland, College Park and holds a MPP from the University of Chicago. She is currently serving on the GASB Board. She is registered with FINRA as a General Securities Representative (Series 7) and has passed the Uniform Securities Agent State Law Examination (Series 63).



**Robert Suh**, *Associate*, joined Wells Fargo Securities in 2007 and will assist the banking team with research, due diligence, and quantitative analysis. He has been a public finance professional for over a decade and has supported various types of financings from long and short-term debt in both fixed and variable rate mode. He received his BA in History from the University of California, Irvine and maintains his Series 7 and 66 securities registrations.



**Joanna Chen**, *Analyst*, joined Wells Fargo Securities in 2020 as an analyst to provide quantitative and analytical support to the West and Midwest teams. Ms. Chen provides deal execution support from due diligence to quantitative analysis. Ms. Chen received her B.A. in Political Science with a concentration in International Relations and her B.A. in Media Studies with a concentration in Business from the University of California, Berkeley.

**Underwriting | Sales and Municipal Market Strategy.** From our underwriting desk, **Walker McQuage**, *Managing Director* and Co-Head of Fixed Rate Underwriting is also our Firm's dedicated California underwriter for long-term financings. He will serve as the lead underwriter for the District's engagement and will be assisted by **Parks Lineberger**, *Director*. Our underwriters will be further supported by **Chris Lee**, *Managing Director and Head of WFS' Municipal Institutional Sales*, and **Don Lipkin**, *Managing Director and Head of Municipal Market Strategy*.

## Underwriting Personnel Serving Panoche Water District

Role	Professional and Title	Office Location	Contact Information
<b>WFS Underwriting, Sales &amp; Trading</b>			
Lead Underwriter	<b>Walker McQuage</b> Director, Co-Head of Fixed Rate Underwriting	550 S. Tryon St., Fl. 4 Charlotte, NC 28202	✉: walker.mcquage@wellsfargo.com ☎: (704) 410-4082
Senior Underwriter	<b>Parks Lineberger</b> Director, Co-Head of Fixed Rate Underwriting	550 S. Tryon St., Fl. 4 Charlotte, NC 28202	✉: parks.lineberger@wellsfargo.com ☎: (704) 410-3441
Head of Municipal Institutional Sales	<b>Chris Lee</b> Managing Director and Head of Institutional Sales	550 S. Tryon St., 4th Floor Charlotte, NC 28202	✉: christopher.lee@wellsfargo.com ☎: (704) 410-4078
Head of Municipal Credit Strategy	<b>Donald Lipkin</b> Managing Director and Head of Muni Market Strategy	30 Hudson Yards, Floor 14 New York, NY 10001	✉: donald.lipkin@wellsfargo.com ☎: (212) 214-5509



**Walker McQuage**, *Managing Director, and Manager of Wells Fargo's Fixed Rate Municipal Underwriting Desk*, will serve as the lead fixed-rate underwriter for the District's financings. Walker has over 20 years of municipal underwriting experience and supervises the underwriting commitments made by WFS' national municipal trading, sales, and underwriting operation. His experience includes the underwriting of general obligation, sales tax, appropriation-backed, and revenue supported bonds, including both tax-exempt and taxable offerings. California clients served by Walker include, the Santa Clarita Valley Water Agency, East Bay Municipal Utility District, Semitropic Water Storage District, Oakdale Irrigation District, Mesa Water District, Shafter-Wasco Irrigation District, Delano Earlimart Irrigation District, Rosedale-Rio Bravo Water Storage District, Lower Tule Irrigation District and San Francisco Public Utilities Commission. Mr. McQuage holds a B.S. in Finance from the University of South Carolina.



**Parks Lineberger**, *Director*, will assist Walker on the District's long-term bonds. Parks has been an underwriter at WFS since 2008 and his expertise ranges from GO bonds for the State and California to general market paper across the country, in addition to complex credits and structures including certificates of participation, corporate related clients, housing, and taxable issues. Parks has significant experience underwriting large bond issues in California and assisted WFS efforts to becoming a top competitive underwriter in California. During that time, he has underwritten more than \$1 billion for California issuers including the State of California, Los Angeles Metropolitan Transportation Authority, the Los Angeles Department of Water & Power, the counties of Riverside, Santa Clara and San Francisco, and the cities of Los Angeles, Anaheim and San Diego. His experience also includes taxable, and corporate municipalities throughout

the U.S. Under Mr. Lineberger's leadership, WFS was a top national taxable underwriter in 2020<sup>13</sup>. Mr. Lineberger is a graduate of North Carolina State University, where he earned a B.S. in Finance and Accounting.



**Chris Lee**, *Managing Director and Head of WFS' Municipal Institutional Sales*, will spearhead the marketing efforts for the upcoming financing. WFS' Institutional Sales team concentrates their efforts on selling municipal and structured finance products to top tier institutional buyers throughout the United States. The group's investor base includes the 250 key national buyers of municipal securities among the firm's 425-institutional account base as well as a significant number of 2<sup>nd</sup> and 3<sup>rd</sup> tier accounts. As the head of sales, Mr. Lee focuses on distribution of primary transactions, providing market color to institutional clients, and helping customers achieve their financial objectives. As co-head of trading, his responsibilities include focusing on risk management as well as providing liquidity and trade ideas to institutional clients. Prior to his current role, Chris served as the head of the desk's Electronic Trading business and traded various sectors, credits, and maturity ranges. Before joining the trading desk in 2007, he spent a year as a public finance investment banking analyst on Wachovia's Southeast General Infrastructure team. Mr. Lee graduated from the University of Rochester with a degree in Economics and a concentration in Finance. He holds Series 7, 24, 53, and 63 licenses.



Chris will be supported by **Don Lipkin**, *Managing Director and Head of Municipal Market Strategy*. Don's team is located on the municipal trading floor and will provide credit support for the sales, trading, and underwriting desks. Don is a highly regarded municipal credit analyst, is an important resource for both the firm's institutional investor clients and our issuer clients and will provide the District with key insights to the current concerns and needs of targeted investors. Major institutional investors all complete their own internal credit reviews of major issuer bond sales. The Municipal Market Strategy team supports WFS' municipal sales-force and traders, competitive and negotiated underwriters, and public finance origination and will assist in marketing the District's bonds to targeted investors, both current holders as well as an audience of new investors. The valuable investor feedback that Don and his Credit Strategies team is able to ascertain, enables WFS to effectively premarket the District's securities. Mr. Lipkin came to Wells Fargo from U.S. Trust, Bank of America Private Wealth Management, where he headed up that firm's fixed income research effort. Prior to that, he spent three years as Managing Director in charge of Municipal Market Strategy and Credit Analytics at Banc of America Securities, 14 years as Senior Managing Director and co-head of Municipal Research at Bear, Stearns & Co, and 7 years as Vice President of Municipal Research at First Boston Corp. Mr. Lipkin holds a B.A. and an M.B.A. from The University at Albany – SUNY, as well as an M.A. in English and American Literature from the University of Maryland.

#### IV. FEES

*Provide a detail of your proposed fees and expenses for the financing, and any assumptions used in deriving your fee structure. Include takedowns broken out by maturity. For consistency of comparison, please assume a combined par amount of \$20 million assuming the bonds are taxable. For consistency of comparison, please assume a project fund of \$20 million assuming the bonds are tax-exempt.*

*Include the proposed cost of underwriter's counsel as a fixed expense item and provide the name of the firm and the lead attorney you propose to retain.*

The WFS team is eager to work with the District and has proposed an aggressive fee as a means of demonstrating our strong desire to serve as underwriter on the District's upcoming issue. As such, we propose a takedown of \$2.00/bond in every maturity assuming we serve as sole manager. For our proposed fees, we assume a par amount of \$20 million of tax-exempt or taxable revenue bonds. We received a quote of \$10,000 from Albert Reyes of Kutak Rock to provide Underwriter's Counsel services. Our proposed takedown and expenses, expressed in both total dollars and \$ per bond, are detailed in the table to the right.

Estimated Underwriter's Discount Based on \$20,000,000 Par Amount		
	Total \$	\$ Per Bond
Takedown (For all Maturities)	\$40,000	\$2.0000
Underwriter's Counsel	10,000	0.5000
CDIAC	5,000	0.2500
CUSIPs (17 CUSIPs)	914	0.0457
DTC	800	0.0400
IPREO (Assumes Gameday)	2,486	0.1243
<b>Total Underwriter's Discount</b>	<b>\$59,200</b>	<b>\$2.9600</b>

<sup>13</sup> Source: SDC Combined Competitive and Negotiated Taxable – True Economics to Book Runner (1/1/2020 – 12/31/2020)



## Appendix I

### WFS Senior/Sole Managed California Water Financings | Proposed Finance Team Experience Since 2015

WFS Senior/Sole Managed California Water Financings   Finance Team Experience Since 2015									
Sale	Issuer	Par (\$mm)	Series	Issue Description	WFS' Role	Bid	Tax St	Deal Team	Underwriter
3/25/2021	Calleguas Municipal Water Dt	39.145	Series 2020A	Revenue Refunding Green Bonds	Sole	N	T	ME, TW, SG, RS, JC	PL
<b>10/7/2020</b>	<b>Shafter Wasco Irrigation Dt</b>	<b>9.410</b>	<b>Series 2020 A</b>	<b>Revenue Refunding Bonds</b>	<b>Sole</b>	<b>N</b>	<b>E</b>	<b>ME, SG, RS</b>	<b>WM</b>
<b>9/10/2020</b>	<b>Rosedale-Rio Bravo Wtr Storage Dt</b>	<b>25.695</b>	<b>Series 2020 A</b>	<b>Revenue Refunding Bonds</b>	<b>Sole</b>	<b>N</b>	<b>E</b>	<b>ME, SG, RS</b>	<b>WM</b>
<b>9/10/2020</b>	<b>Rosedale-Rio Bravo Wtr Storage Dt</b>	<b>28.715</b>	<b>Series 2020 B</b>	<b>Revenue Refunding Bonds</b>	<b>Sole</b>	<b>N</b>	<b>T</b>	<b>ME, SG, RS</b>	<b>WM</b>
<b>8/26/2020</b>	<b>Lower Tule River Irrigation Dt</b>	<b>13.810</b>	<b>Series 2020 A</b>	Revenue Refunding Bonds	<b>Sole</b>	<b>N</b>	<b>E</b>	<b>ME, SG, RS</b>	<b>WM</b>
8/12/2020	California Poll Control Fin Auth	35.000	Series 2020	Water Facs Ref Rev Bonds	Sole	N	E	ME, TW, SG, RS	PL
6/9/2020	So California Metro Water Dt	267.995	2020 Series C	Water Revenue Refunding Bonds	Senior	N	E	ME, TW, SG, RS	PL
6/4/2020	Los Angeles Dept Wtr & Pwr (LADWP)	204.255	2020 Series A	Water System Revenue Bonds	Senior	N	E	ME, TW, SG, RS	PL
2/4/2020	Anaheim Hsg & Pub Imp Auth	32.445	Series 2020 B	Water System Revenue Ref Bonds	Sole	N	T	ME, TW, SG, RS	PL
2/4/2020	Anaheim Hsg & Pub Imp Auth	38.000	Series 2020 A	Revenue Bonds	Sole	N	E	ME, TW, SG, RS	PL
<b>12/4/2019</b>	<b>Delano Earlimart Irrigation Dt</b>	<b>14.970</b>	<b>Series 2019 A</b>	<b>Refunding Revenue Bonds</b>	<b>Sole</b>	<b>N</b>	<b>E</b>	<b>ME, SG, RS</b>	<b>WM</b>
<b>10/16/2019</b>	<b>Semitropic Improvement Dt</b>	<b>70.960</b>	<b>Series 2019 A</b>	<b>Water Banking Rev Ref Bonds</b>	<b>Sole</b>	<b>N</b>	<b>T</b>	<b>ME, TW, SG, RS</b>	<b>PL</b>
8/21/2019	Petaluma City-California	60.775	2019 Series	Wastewater Revenue Ref Bonds	Sole	C	E	N/A	PL
6/25/2019	Los Angeles Dept Wtr & Pwr (LADWP)	29.765	2019 Ser A SubserA-3	Wtr Sys Var Rate Demand Rev Bonds	Sole	N	E	ME, TW, SG, RS	PL
6/25/2019	Los Angeles Dept Wtr & Pwr (LADWP)	70.000	2019 Ser A SubserA-2	Wtr Sys Var Rate Demand Rev Bonds	Sole	N	E	ME, TW, SG, RS	PL
11/29/2018	So California Water Replenish Dt	65.785	Series 2018	Replenishment Assessment Bonds	Senior	N	E	ME, TW, SG, RS	PL
11/15/2018	Central Basin Municipal Water Dt	6.520	Series 2018 B	Refunding Revenue Bonds	Sole	N	T	ME, SG, RS	PL
11/15/2018	Central Basin Municipal Water Dt	12.870	Series 2018 A	Refunding Revenue Bonds	Sole	N	E	ME, SG, RS	PL
6/5/2018	So California Metro Water Dt	99.075	2018 Series A	Sub Water Revenue Refunding Bonds	Sole	C	E	N/A	PL
3/28/2018	Livermore Valley Wtr Fin Auth	5.020	2018 Series A	Water Revenue Bonds	Senior	N	E	ME, SG, RS	PL
3/28/2018	Livermore Valley Wtr Fin Auth	58.990	2018 Series A	Water Revenue Bonds	Senior	N	E	ME, SG, RS	PL
1/11/2018	Anaheim Hsg & Pub Imp Auth	45.705	Series 2018	Sewer Revenue Bonds	Sole	N	E	ME, SG, RS	PL
<b>9/19/2017</b>	<b>Semitropic Improvement Dt</b>	<b>52.375</b>	<b>2017 Series A</b>	<b>Refunding Revenue Bonds</b>	<b>Sole</b>	<b>N</b>	<b>E</b>	<b>ME, SG, RS</b>	<b>PL</b>
9/11/2017	Upper Santa Clara Villy Jt Powers Au	50.745	Series 2017 A	Refunding Revenue Bonds	Sole	N	E	ME, SG, RS	PL
6/22/2017	So California Metro Water Dt	95.625	2017 Series E	Sub Water Revenue Refunding Bonds	Sole	N	E	ME, SG, RS	PL
5/31/2017	Mesa Water Dt	29.295	2017 Series	Rev Certificates of Participation	Sole	N	E	ME, SG, RS	PL
4/11/2017	Santa Clara Valley Water Dt	54.710	Series 2017 A	Water System Refunding Rev Bonds	Sole	C	E	N/A	PL

Source: SDC Thomson Reuters True Economics to Bookrunner Since January 1, 2015 to March 27, 2021

**Banking Team:** **ME:** Michael Engelbrecht; **TW:** Tom Wynne; **SG:** Scott Goldstein; **RS:** Robert Suh; **JC:** Joanna Chen

**Underwriter:** **WM:** Walker McQuage; **PL:** Parks Lineberger



## Appendix I

### WFS Senior/Sole Managed California Water Financings | Proposed Finance Team Experience Since 2015 (Continued)

WFS Senior/Sole Managed California Water Financings   Finance Team Experience Since 2015									
Sale	Issuer	Par (\$mm)	Series	Issue Description	WFS' Role	Bid	Tax St	Deal Team	Underwriter
1/12/2017	Antelope Villy-East Kern Wtr Agy	15.600	Series 2017	Revenue Bonds	Sole	N	T	ME, TW, SG, RS	PL
11/29/2016	San Francisco City/Co Public Util Comm	259.350	2016 Series C	San Francisco Water Rev Bonds	Sole	C	T	N/A	PL
<b>10/19/2016</b>	<b>North Kern/Cawelo Financing Auth</b>	<b>8.710</b>	<b>2016 Series A</b>	<b>Water Revenue Bonds</b>	<b>Sole</b>	<b>N</b>	<b>E</b>	<b>ME, SG, RS</b>	<b>WM</b>
<b>8/25/2016</b>	<b>Fresno Irrigation Dt</b>	<b>11.415</b>	<b>Series 2016 A</b>	<b>Water Revenue Refunding Bonds</b>	<b>Sole</b>	<b>N</b>	<b>E</b>	<b>ME, SG, RS</b>	<b>WM</b>
<b>8/23/2016</b>	<b>Oakdale Irrigation Dt</b>	<b>26.165</b>	<b>Series 2016</b>	<b>Water Revenue Refunding Bonds</b>	<b>Sole</b>	<b>N</b>	<b>E</b>	<b>ME, SG, RS</b>	<b>WM</b>
4/7/2016	Los Angeles Dept Wtr & Pwr (LADWP)	628.615	2016 Series A	Water System Revenue Bonds	Senior	N	E	ME, SG, RS	PL
3/31/2016	Antelope Villy-East Kern Wtr Agy	71.090	Series 2016	Water Revenue Refunding Bonds	Sole	N	E	ME, SG, RS	PL
<b>3/23/2016</b>	<b>Kern Co Water Agency</b>	<b>9.335</b>	<b>Series 2016 B</b>	<b>Water Revenue Refunding Bonds</b>	<b>Sole</b>	<b>N</b>	<b>T</b>	<b>ME, SG, RS</b>	<b>WM</b>
<b>3/23/2016</b>	<b>Kern Co Water Agency</b>	<b>79.565</b>	<b>Series 2016 A</b>	<b>Water Revenue Refunding Bonds</b>	<b>Sole</b>	<b>N</b>	<b>E</b>	<b>ME, SG, RS</b>	<b>WM</b>
3/17/2016	Santa Clara Valley Water Dt	43.075	Series 2016 C	Rev Certificates of Participation	Senior	N	E	ME, SG, RS	PL
3/17/2016	Santa Clara Valley Water Dt	106.315	Series 2016 A	Water Sys Ref Rev Bonds	Senior	N	E	ME, SG, RS	PL
3/15/2016	Calleguas Municipal Water Dt	27.585	Series 2016 A	Water Refunding Revenue Bonds	Sole	N	E	ME, SG, RS	PL
3/2/2016	San Diego Public Facs Fin Auth	403.280	Series 2016 A	Senior Sewer Revenue Ref Bonds	Senior	N	E	ME, SG, RS	PL
12/10/2015	So California Water Replenish Dt	148.345	Series 2015	Replenishment Assess Rev Bonds	Senior	N	E	ME, SG, RS	PL
<b>7/16/2015</b>	<b>North Kern/Cawelo Financing Auth</b>	<b>12.240</b>	<b>2015 Series A</b>	<b>Water Revenue Bonds</b>	<b>Sole</b>	<b>N</b>	<b>E</b>	<b>ME, SG, RS</b>	<b>WM</b>
6/24/2015	So California Metro Water Dt	188.900	2015 Series A- 1 & 2	Water Revenue Refunding Bonds	Sole	N	E	ME, SG, RS	PL
6/2/2015	East Bay MUD	74.335	Series 2015 B	Water System Revenue Bonds	Sole	C	E	N/A	PL
6/2/2015	East Bay MUD	110.715	Series 2015 C	Water System Revenue Bonds	Sole	C	E	N/A	PL
5/28/2015	Riverside City-California	200.030	Series 2015 A	Sewer Revenue Bonds	Sole	N	E	ME, SG, RS	PL
<b>3/26/2015</b>	<b>Kern Delta Water Dt</b>	<b>5.290</b>	<b>Series 2015 A</b>	<b>Water Revenue Refunding Bonds</b>	<b>Sole</b>	<b>N</b>	<b>E</b>	<b>ME, SG, RS</b>	<b>WM</b>
<b>2/25/2015</b>	<b>Semitropic Improvement Dt</b>	<b>32.425</b>	<b>2015 Series A</b>	<b>Second Lien Revenue Bonds</b>	<b>Sole</b>	<b>N</b>	<b>E</b>	<b>ME, SG, RS</b>	<b>PL</b>

Source: SDC Thomson Reuters True Economics to Bookrunner Since January 1, 2015 to March 27, 2021

**Banking Team:** **ME:** Michael Engelbrecht; **TW:** Tom Wynne; **SG:** Scott Goldstein; **RS:** Robert Suh; **JC:** Joanna Chen

**Underwriter:** **WM:** Walker McQuage; **PL:** Parks Lineberger


**Disclosures (Continued):**
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**LIBOR Discontinuation Risk**

Due to uncertainty surrounding the sustainability of the London Interbank Offered Rate (“LIBOR”), central banks and global regulators have called for financial market participants to prepare for the discontinuation of LIBOR by the end of 2021. The continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. While global regulators and financial services industry market participants, including the Alternative Reference Rates Committee in the United States, have been working on developing alternative reference rates (“ARR”) for LIBOR and other interbank offered rates, there is no guarantee that ARR will be widely used by market participants by the end of 2021, that any ARR developed will be suitable for each transaction as a substitute or successor for LIBOR, that the composition or characteristics of ARR will be similar to those of LIBOR, or that ARR will be the economic equivalent of the rate used in your LIBOR-based swap, SBS, or financing transactions. Therefore, if LIBOR is discontinued during the term of your swap or SBS, your payments would be calculated differently and could be higher or more volatile than expected. These risks and others are discussed in greater detail at the IBOR Alternative Reference Rates disclosure at: [Swap Disclosures](#). Other information is available at: <https://www.wellsfargo.com/com/focus/libor/>.

**Negative Interest Rates (including disclosures regarding benchmark rate floors)**

Even if your financing includes a LIBOR floor, such as a floor set at 0%, express wording in swap transactions is required to place a floor on LIBOR or other floating benchmark rate of a swap transaction. No such 0% floor or other floor is included in an interest rate swap or other swap transaction unless mutually agreed between the parties as reflected in the swap confirmation. Absent such floor in an interest rate swap, if a Floating Amount is negative under the swap, the Floating Rate Payer does not make such payment. Instead, the Fixed Rate Payer pays the absolute value of the negative Floating Amount in addition to the Fixed Amount. See §6.4 of the 2006 ISDA Definitions, as amended. If you wish to acquire a swap with a 0% floor or other floor, this may increase the price of your swap as reflected in a higher Fixed Rate. For further information on negative interest rates, including their effect on swaps and the loans they are hedging, see the Negative Interest Rates Disclosure (including disclosures regarding benchmark rate floors) at: [Swap Disclosures](#).

**Risks to Consider**

While transactions described in the Materials may be used for hedging purposes to reduce certain risks associated with your assets or liabilities, the effectiveness of hedging may depend upon holding these transactions to maturity and not reducing or disposing of all or any portion of the asset or liability during the term of the hedge. If a transaction is terminated early, or if you reduce or dispose of all or a portion of the underlying asset or liability before the transaction matures (such as prepaying a floating rate loan you hedge with a swap or disposing an FX or commodity liability or asset you have hedged), depending on the nature of the transaction, you may incur a substantial loss or you may receive little or no hedging benefit from any upfront premium payment or any other costs incurred in purchasing the transaction. You may also incur a substantial loss if you enter into a transaction in anticipation of hedging an asset or liability that does not materialize. You should understand that significant potential amounts could become payable by you for modifying a transaction, terminating it early or transferring your position in the transaction to another person or entity, depending upon then existing market conditions and the terms of your transaction. You should also consider that prepaying your loan or disposing of an asset or other liability, including a foreign currency denominated



**PANOCHÉ WATER DISTRICT**  
**RESPONSE TO REQUEST FOR PROPOSALS – INVESTMENT BANKING / UNDERWRITER SERVICES**

or commodity liability or asset, does not relieve you of your obligations under a hedge transaction, which may be terminated early only in accordance with the terms of the swap trading relationship documentation, other transaction documents, or otherwise by mutual agreement. Such termination may require payment by you of an early termination amount, which may be substantial. Whether you use a transaction for hedging or another purpose, you should satisfy yourself that you understand these and other risks discussed in greater detail in disclosures provided to you at: [Swap Disclosures](#).

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To the extent any transaction described in the Materials may be used to hedge against FX risks, commodity risks, or interest rate risks, the transaction would be a separate and independent obligation and would not be contingent on whether or not any financing closes, is outstanding or is repaid, in whole or in part, at any time, subject to any contractual requirement to terminate and settle the transaction early upon prepayment of any financing or for other financing-related events. In addition, if you provide any existing or future collateral or other credit support to secure the transaction and any financing, then you would be entitled to the release of such collateral or credit support only if certain conditions contained in the related collateral agreement or credit support document are completely satisfied for both the transaction and any such financing, or we otherwise reach agreement with you on alternative collateral, credit support or other arrangements.

**Unmatched Terms & Conventions**

If the principal amount or duration of a financing, FX, or commodity asset or liability differs from that of a transaction used to hedge such financing, asset or liability (e.g., a different notional amount), you may be exposed to risk of loss from such over-hedging or under-hedging. If any other economic terms or characteristics of a financing, asset or liability differ from those of the related hedge, then in addition to any losses that you could incur from such differences, the hedge may create unanticipated accounting exposure or tax liability for you. To the extent fair value accounting applies to the hedge, you may have to reflect unrealized gains and losses (i.e., the so-called “mark-to-market” value of the hedge) over the life of the hedge on your balance sheet and/or income statement. If hedge accounting applies, any ineffectiveness in the hedge resulting from such differences may likewise need to be taken into account and reflected in your financial results. These hedge valuation considerations may also be important to you for tax purposes, including any tax laws that may require unrealized gains or losses on hedges to be taken into account in determining your income tax liability.

Conventions used in the underlying market for the financing, assets or liabilities and the conventions used in the derivatives and FX markets may differ, and we are under no obligation to ensure that any transaction we offer is a perfect hedge even if we provide you with the underlying financing, asset or liability. For example, if the method for determining a loan’s floating rate differs from that for a hedge’s floating rate, the loan floating rate payments could diverge from those of the hedge. As another example, if the method for determining the applicable exchange rate for a foreign currency denominated liability differs from that for the exchange rate of the hedge, the payments associated with the underlying liability could diverge from the hedge. Such divergence may occur by convention or as the result of contractual differences, such as in the definition of or the reset timing of the exchange rate or for a referenced floating rate benchmark, the dates or times at which the benchmark is set, the number of days in the payment periods, divergent fallback rates upon the temporary or permanent discontinuation of the benchmark (e.g., LIBOR) or the benchmark rate’s rounding convention.

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If you have any questions or concerns about the disclosures presented herein, you should make those questions or concerns known immediately to Wells Fargo.





March 29, 2021

# Panoche Water District

Request for Qualifications for Investment Banking / Underwriting Services

Revenue Bonds, Series 2021



Citigroup Global Markets Inc.  
Public Finance Department

300 S. Grand Ave, Suite 3110  
Los Angeles, CA 90071

[www.citi.com](http://www.citi.com)

**G-23 Disclaimer:** Citigroup is providing the information contained in this document for discussion purposes only in anticipation of serving as underwriter to Panoche Water District (the "Issuer"). Citigroup is not making a recommendation to the Issuer. The primary role of Citigroup, as an underwriter, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Issuer and Citigroup. In its role as underwriter, Citigroup would have financial and other interests that differ from those of the Issuer. Citigroup is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer or any other person or entity. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934. The Issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. The Issuer should consider whether to engage an advisor to act in a fiduciary capacity on its behalf in connection with this transaction.

March 29, 2021

**Ara Azhderian**  
Panoche Water District

**Robert Porr**  
Fieldman, Rolapp & Associates

**Lora Carpenter**  
Fieldman, Rolapp & Associates

Citigroup Global Markets Inc. ("Citi") is pleased to submit our response to the Request for Qualifications for Investment Banking / Underwriting Services for Panoche Water District (the "District"). Citi is ready, willing and able to hit the ground running and would be honored to be a part of the District's team for the Revenue Bonds, Series 2021.

**We have deep experience with California agriculture utilities.** Citi has significant experience and resources that we will pledge to the District to see that the proposed financing is successfully executed:

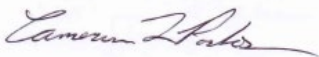
- ✓ **Water and Wastewater Market Leader.** Since 2016, Citi has served as senior manager on over \$29 billion in water, wastewater and other utility issuers' financings across over 260 transactions, giving Citi a lead in market share for water utility credits throughout the nation. Within this experience, Citi has worked with other water and wastewater utilities to price both tax-exempt and taxable new money bonds. **Since the onset of the COVID-19 pandemic in March 2020, Citi has senior managed over \$4.3 billion of negotiated water and wastewater utility bonds.** The depth and breadth of our experience includes delivering for our utility clients in ways that others have not, particularly since the impacts of COVID-19 hit the municipal market.
- ✓ **Taxable and Tax-Exempt Market Leader.** In the broader municipal market, Citi maintains a top position in both the tax-exempt municipal bond space and the taxable municipal bond space. Since 2019, Citi is ranked as the #2 underwriter for tax-exempt municipal bond issues and taxable municipal bond issues, demonstrating our knowledge and experience serving in both the tax-exempt and taxable space.
- ✓ **Locally Based Banking and Underwriting.** Citi's proposed team for the District is based in California in our Los Angeles and San Francisco offices. Citi maintains a full-service underwriting, sales and trading desk in Los Angeles, which provides valuable local expertise that Citi leverages to deliver the lowest cost to our California clients. Citi's Los Angeles-based municipal syndicate desk is one of the only municipal underwriting desks in California and consistently underwrites more California bonds than any other firm. Trading on average \$300-\$350 million of California municipal bonds on a weekly basis, our desk professionals have their collective finger on the pulse of the California market.
- ✓ **Institutional Investor Coverage.** Citi's institutional sales force consists of 63 sales and trading professionals, 7 Credit Analytics professionals, 7 Debt Capital Markets professionals and 7 regional professionals in California who are the main participants in Citi's California primary and secondary market efforts
- ✓ **Retail Sales Force.** Citi's retail distribution includes Citi's Personal Wealth Management, Private Bank, SMA sales desk, and our exclusive distribution agreement with Fidelity which gives the District access to over 26.7 million individual investor accounts holding over \$2.5 trillion in assets

**We are prepared to help execute the transaction in a timely fashion to meet the District's objectives.** Citi stands ready to help the District optimize the bond structure and market the transaction to target the widest possible investor base:


- ✓ **Marketing.** As the District's first negotiated bond sale in over two decades, the 2021 issuance presents a unique opportunity to introduce the market to the District's credit and establish a potential buyer base by directly engaging with investors. To take advantage of this and enhance investor education and participation, Citi recommends: following the release of the POS, investor targeting using Citi's Debt Capital Markets team and proprietary algorithm based on active secondary trading.
- ✓ **Ability to Commit Capital to this Transaction.** Since 2014, Citi has committed over \$6 billion of capital to deliver aggressive pricing to issuers nationwide. Even with recent market volatility as a result of COVID-19, Citi's extensive investor network and ability to underwrite and own up to \$1 billion in market value of unsold balances on a single transaction provides the flexibility and versatility to successfully navigate this new challenging market environment. We believe that Citi offers a unique combination of unmatched banking, credit, marketing, and execution expertise. Citi is fully committed to providing the District with the highest level of service.

We thank you for the opportunity to present our qualifications for this important transaction. If you have any questions regarding the information contained herein please do not hesitate to reach out to us.

Sincerely,



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## Response to Request for Qualifications:



### Panoche Water District

Investment Banking/Underwriting Services for Revenue Bonds, Series 2021

Prepared by:



Citigroup Global Markets Inc.

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## II. Questions

1. Describe your sales capability related to tax-exempt and taxable municipal financings. Please provide an example of your firm's pricing of a California water utility's bonds completed after March of 2020 with an emphasis on agricultural issuers in the Central Valley.

### Citi's Relevant Experience

**California Experience.** Over the past decade, **Citi has been the #1 underwriter for California tax-exempt and taxable negotiated issues, senior managing over \$84 billion worth of par across over 450 issues.** We have also senior managed nearly \$5 billion more in par amount than our closest competitor. This unparalleled primary market activity has allowed Citi's bankers and sales & trading staff to develop an unmatched understanding of the California market and how to successfully and effectively market bonds to investors.

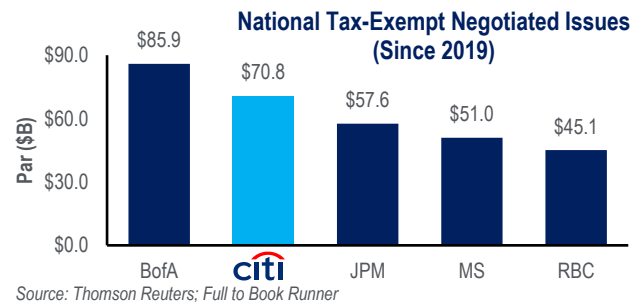
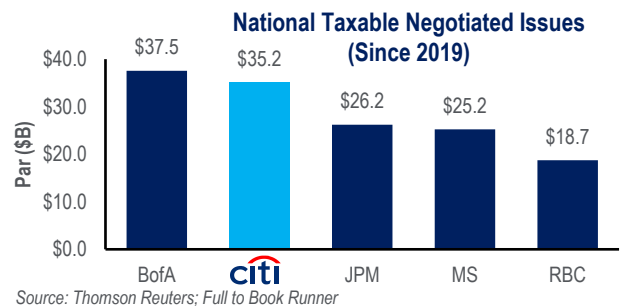
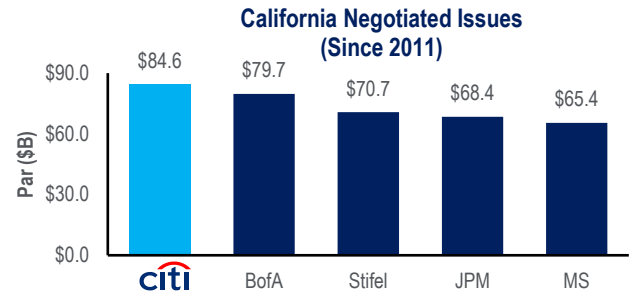
**Tax-Exempt and Taxable Experience.** Citi also maintains a strong position in both the tax-exempt and taxable spaces. Since 2019, we have served as senior manager on over \$70 billion of tax-exempt bonds nationally, across over 440 issues. In addition, we have served as senior manager on over \$35 billion of taxable bonds nationally, across over 150 issues. Citi's experience in both the tax-exempt and taxable spaces demonstrates that we have considerable experience in both tax-status categories, allowing us to provide top quality service to the District regardless if the upcoming revenue bond issue is tax-exempt or taxable.

Additionally, Citi prices taxable municipal bonds from its municipal desk, and we are unique in our integrated approach to marketing taxable municipals in that we involve both teams from our municipal and corporate desks. While our municipal desk leads the transaction, we leverage our corporate sales team and their close relationships with corporate taxable buyers to maximize the potential investor base. In this way, the Panoche Water District ("District") will have the transaction led by an underwriter who understands municipal issuers, yet with direct access to our global sales team.

**Recent Experience.** Since March 2020, Citi is the #2 ranked national underwriter for senior managed wastewater/water bonds, with \$4.4 billion worth of par, across 30 transactions. Specific to California since March 2020, Citi has senior managed \$873 million of California water/wastewater bonds across 11 transactions. **Of these transactions, 7 have been for agriculture water agency issuers in the Central Valley.**

Below we have provided a list of Citi senior-managed water transactions in California since March 2020, the agriculture water agency issuers in the Central Valley are highlighted in blue:

Sale Date	Issuer	Issue Description	Par (\$mm)	Tax-Status	Ratings (M/S/F)
1/28/2021	San Luis Unit/San Luis Wtr Dt Fin Au	Revenue Bonds	22.55	Tax-Exempt	NR/A+/NR
1/26/2021	San Luis & Delta-Mendota Wtr Au	Revenue Bonds	8.02	Taxable	A2/NR/NR
1/26/2021	San Luis & Delta-Mendota Wtr Au	Refunding Revenue Bonds	32.73	Taxable	NR/A+/NR
7/28/2020	El Dorado Irrigation Dt	Refunding Revenue Bonds	81.08	Taxable	Aa3/AA-/NR
7/15/2020	Upper Santa Clara Villy Jt Powers Au	Revenue Bonds	31.66	Tax-Exempt	NR/AA/AA-
7/15/2020	Upper Santa Clara Villy Jt Powers Au	Revenue Bonds	46.78	Tax-Exempt	NR/AA/AA-
7/15/2020	Upper Santa Clara Villy Jt Powers Au	Revenue Bonds	172.64	Taxable	NR/AA/AA-
6/24/2020	Chino Basin Regional Fin Auth	Refunding Revenue Bonds	56.26	Tax-Exempt	Aa2/AA+/NR
6/15/2020	El Dorado Irrigation Dt	Ref & Rev COPs	66.68	Tax-Exempt	Aa3/AA-/NR
6/15/2020	El Dorado Irrigation Dt	Refunding Revenue Bonds	129.02	Taxable	Aa3/AA-/NR
6/4/2020	San Luis Unit/Westlands Wtr Dt Fin Au	Revenue & Sub Bonds	225.37	Taxable	NR/A+/A+





Additionally, as requested, we have provided below an example of water utility agriculture issuer in the Central Valley that was completed after March of 2020:



**El Dorado Irrigation District, CA**  
**\$129,020,000**  
**Taxable Refunding Revenue Bonds, Series 2020C**  
**June 15, 2020**

El Dorado Irrigation District (“El Dorado”) came to market on June 15, 2020 with a \$129 million taxable refunding revenue bond sale. The bonds were being issued to refund El Dorado’s outstanding Revenue Bonds, Series 2012A and a portion of the Revenue Bonds, Series 2014A. Citi led El Dorado’s marketing efforts in the sale, which resulted in \$390 million in orders from 25 investors, amounting to a 3.02x oversubscription.

Going into the pricing, Citi was able to reduce spreads on 12 of the 20 bond maturities between 2 and 5 basis points. Some of the highlights of the pricing include:

- **All-in TIC of 2.48%**
- **Generated approximately \$11.2 million in net PV savings**
- **Investors included large insurance companies, mutual fund companies, and asset managers**

Issuer	El Dorado Irrigation District, CA			
Issue	Refunding Revenue Bonds, Taxable Series 2020C			
Amount	\$129,020,000			
Ratings	Aa3 / AA- / NR			
Call Feature	3/1/2030 @ 100			
Maturity	1-Mar			
Pricing Date	6/15/2020			
Maturity	Par Amount (\$000s)	Coupon	Yield	Spread (bps)
2020	1,770	0.54%	0.54%	+35
2021	8,230	0.64%	0.64%	+45
2022	3,660	0.74%	0.74%	+55
2023	3,690	0.87%	0.87%	+65
2024	3,725	1.08%	1.08%	+75
2025	3,770	1.28%	1.28%	+95
2026	3,825	1.49%	1.49%	+95
2027	8,645	1.69%	1.69%	+115
2028	8,805	1.96%	1.96%	+125
2029	8,975	2.06%	2.06%	+135
2030	6,600	2.16%	2.16%	+145
2031	6,750(c)	2.26%	2.26%	+155
2032	6,905(c)	2.34%	2.34%	+163
2033	7,070(c)	2.44%	2.44%	+173
2034	7,250(c)	2.54%	2.54%	+183
2035	7,440(c)	2.64%	2.64%	+193
2036	7,645(c)	2.74%	2.74%	+130
2037	7,855(c)	2.84%	2.84%	+140
2038	8,085(c)	2.89%	2.89%	+145
2039	8,325(c)	2.94%	2.94%	+150

(c) signifies a callable maturity

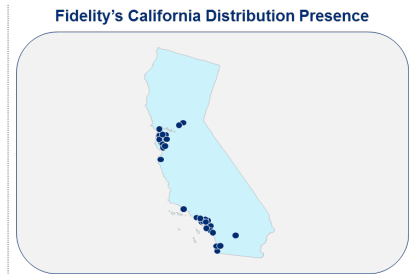
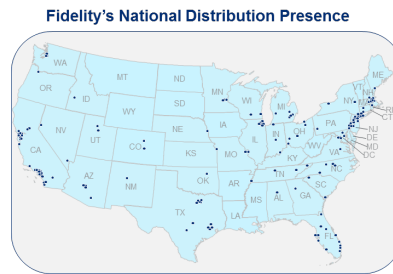
**Citi's Sales Capabilities**

**Industry-Leading Public Finance Department.** Citi's Public Finance Department has been the leading underwriter for over two decades, as the #1 or #2 underwriter of negotiated municipal bonds in 20 of the past 21 years. This leadership is a result of Citi's ability to provide best-in-class coverage to our municipal clients. Citi's clients benefit from a group of 161 public finance and capital solutions group bankers who specialize in a variety of disciplines, including water revenue bonds. We currently maintain 16 public finance offices nationwide, including offices in Los Angeles and New York.

**Citi's Los Angeles Underwriting Desk.** Citi has a Los Angeles-based municipal syndicate desk that is the one of the largest municipal underwriting desks in California and consistently underwrites more California bonds than any other firm. Providing our California clients with the highest level of service is Citi's top priority. We do this by maintaining a strong network of local professionals, which includes 7 professionals on our Los Angeles desk who are the lead in Citi's municipal bond underwriting and trading efforts in California. Trading on average between \$300 and \$350 million of California municipal bonds on a weekly basis means Citi's Los Angeles underwriting desk has unmatched insight into the California market, benefitting local issuers.

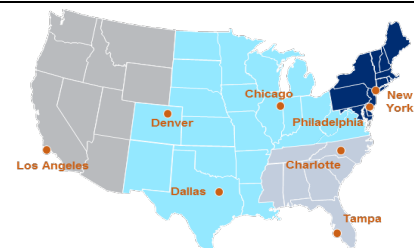


**Citi and Fidelity – A Powerful Combination.** Citi has an exclusive distribution agreement with Fidelity Capital Markets ("Fidelity"). Fidelity's core strength is its ability to reach true retail investors through its vast national distribution network and powerful online marketing platform. Through this agreement, Citi's issuer clients have access to 26.7 million individual investor accounts and total managed assets of \$2.5 trillion, \$18.6 billion of which are municipal bonds. With over one million unique visitors every day, Fidelity.com provides a powerful platform on which investors can sign-up for email alerts to receive notice of tax-exempt and taxable municipal bonds that become available for purchase as part of a new issue. In addition, Fidelity maintains 183 retail branches throughout the country. **Within California, Fidelity has over 2.4 million accounts and maintains 31 investor centers.**



**Overview of Citi's Distribution Network.** Citi's comprehensive and well-rounded distribution system includes our award-winning institutional salesforce coupled with our multi-modal retail platform. Citi covers every major institutional investor through a team of 63 sales, trading and underwriting representatives. Our comprehensive retail platform includes a dedicated salesforce of eight individuals covering Separately Managed Accounts ("SMAs"), together with access to Fidelity's remarkable ability to reach true "mom and pop" retail investors. We also leverage our over 3,000 financial advisors associated with Citi Private Bank and 440 Citi Personal Wealth Management financial advisors for additional individual retail reach. Citi's strong distribution network allows us to provide the District with access to a broad buyer base in both the institutional and retail sectors of the market, maximize demand and obtain the lowest possible borrowing cost.

- Large capital markets platform with **8 offices and 63 institutional sales, trading, and underwriting** professionals nationwide
- **Institutional sales force ranked #1** by both **Institutional Investor Magazine** and by **The Greenwich Associates Survey** of investors for the last 8 years
- **Ability to commit up to \$1 billion in capital**



**Underwriting**

- Underwriting
  - **8** underwriters
- Debt Capital Markets Professionals
  - **7** professionals coordinating marketing and investor feedback

**Institutional Investor Coverage**

- Sales People & Traders
  - **63** professionals cover every major institutional account and small to medium size account
  - Includes 4 sales & trading professionals in Chicago covering Midwest accounts

**Retail Investor Coverage**

- Dedicated SMA Coverage Team
  - **8** dedicated sales personnel
- Distribution Agreement with Fidelity
  - **26+** million individual accounts holding **\$18.6 billion in municipal bonds**
- Citi Private Bank & Citi PWM
  - **3,000+** advisors nationally

**Taxable Bond Distribution.** Citi is one of only two Wall Street banks that price taxable municipal bonds from its municipal desk. Unlike corporate desks, which fundamentally cater to their institutional investing clients, our municipal underwriters have one client base – municipal issuers, and their job is to ensure the lowest yields available. Citi is unique in its integrated approach to marketing taxable municipals in that we involve both teams from our municipal and corporate desks. While our municipal desk leads the transaction, we leverage our corporate sales team and their close relationships with corporate taxable buyers to maximize the potential investor base. Should the District’s proposed issue be taxable, the District is assured to have the transaction led by an underwriter who understands municipal issuers, yet with direct access to Citi’s global sales team.

**Data Driven Approach to Target Marketing.** Any firm can download a list of publicly-reported investors for water and wastewater credits at the onset of an investor marketing program; however, Citi’s proprietary data indicates that similar institutional investors can have significantly different buying patterns at any given point in time for similar types of bonds. Therefore, **a dynamic investor marketing program must go far beyond looking at a static list of investor holdings** as of the end of a given reporting period. This is particular important given that the District will be selling taxable bonds and also is not often in the public bond market. Our analysis suggests the targeting process outlined on the following discussion to identify and engage buyers for the District’s transaction:

**Identify Current Bondholders and Additional Targeted Buyers.** Citi begins our marketing process by identifying holders of debt issues by entities similar to that of the District, since the District has no outstanding debt. Citi then widens our net to locate investors actively supporting comparable Water and Wastewater deals in the current primary and secondary market by focusing on the most active buyers of specific factors such as sector, rating, tenor, tax status, state, etc. These buyers represent some of the highest opportunity investors in generating deal demand and optimal pricing results.

**Utilize Citi’s Proprietary Algorithmic Investor Targeting Model and Active Capital Markets Feedback.** Citi then combines its targeted investor list with the output of Citi’s Intelligent Search Engine (“CISE”). CISE allows Citi to discern patterns of investor activity that make those investors potential targeted buyers of similar new issues. **As one of the top market-makers for municipal bonds with 16.5% of secondary trading overall, we have vast data sets to analyse, available only to Citi.** This final list of targeted investors is then critiqued by members of the Debt Capital Markets team and syndicate teams before presenting to the wider salesforce. By creating this final list of targeted investors, we can supply our sales force with a book of high probability targets to focus their attention.

**Predictive Order Book.** As highlighted previously, by using both our capital markets and secondary trading resources, we have reviewed who is active in comparable credits including other issuers in the state of California as well as other water and wastewater credits. These investors, who have been active in recent primary and secondary market offerings, would be a core focus in investor marketing efforts. This will be a roadmap for our sales and marketing professionals and will most effectively drive interest from investors.

**Marketing Thesis.** In an uncertain market, strategic investor targeting is critical and nimble planning and frequent communication are key to a successful sale. Below we have included a thorough plan which we have used successfully for other recent financings.

We will work with our sales force to ensure that investors accurately evaluate the District’s credit.

	Investor Name	Investor Type	Top 25 Comp. Credit Holder	Recent Citi-led Comp. Deal Buyer
1	BlackRock	MF / SMA	✓	✓
2	MetLife	Insurance	✓	✓
3	PIMCO	MF / SMA	✓	✓
4	Nuveen Asset Mgmt / TIAA CREF	MF / SMA	✓	✓
5	MacKay Shields / NY Life	Insurance	✓	✓
6	Globe Life	Insurance	✓	✓
8	Allstate Investment Mgmt	Insurance	✓	✓
8	Protective Life Corp	Insurance	✓	✓
9	AIG Asset Mgmt	Insurance	✓	✓
10	Guggenheim Partners Inv Mgmt	Mutual Fund	✓	✓
11	Manulife Inv Mgmt	Insurance	✓	✓
12	FBL Investment Mgmt	Mutual Fund	✓	✓
13	Goldman Sachs Asset Mgmt	MF / SMA	✓	✓
14	State Farm Inv Mgmt	Insurance	✓	✓
15	Eaton Vance	MF / SMA	✓	✓
16	Principal Global	Mutual Fund	✓	✓
17	General Re-New England Asset M	Insurance	✓	✓
18	Sentry Investment Mgmt	MF / SMA	✓	✓
19	Millennium Fixed Income	Alternative	✓	✓
20	Wellington Mgmt	Mutual Fund	✓	✓

Holding data as of the most recent reporting date by fund manager per IPREO  
 "N/A" denotes non-reporting entity, "MF" = Mutual Fund, "MF/SMA" = Mutual Fund / SMA  
 Blue Highlights = Non-current reported Investors

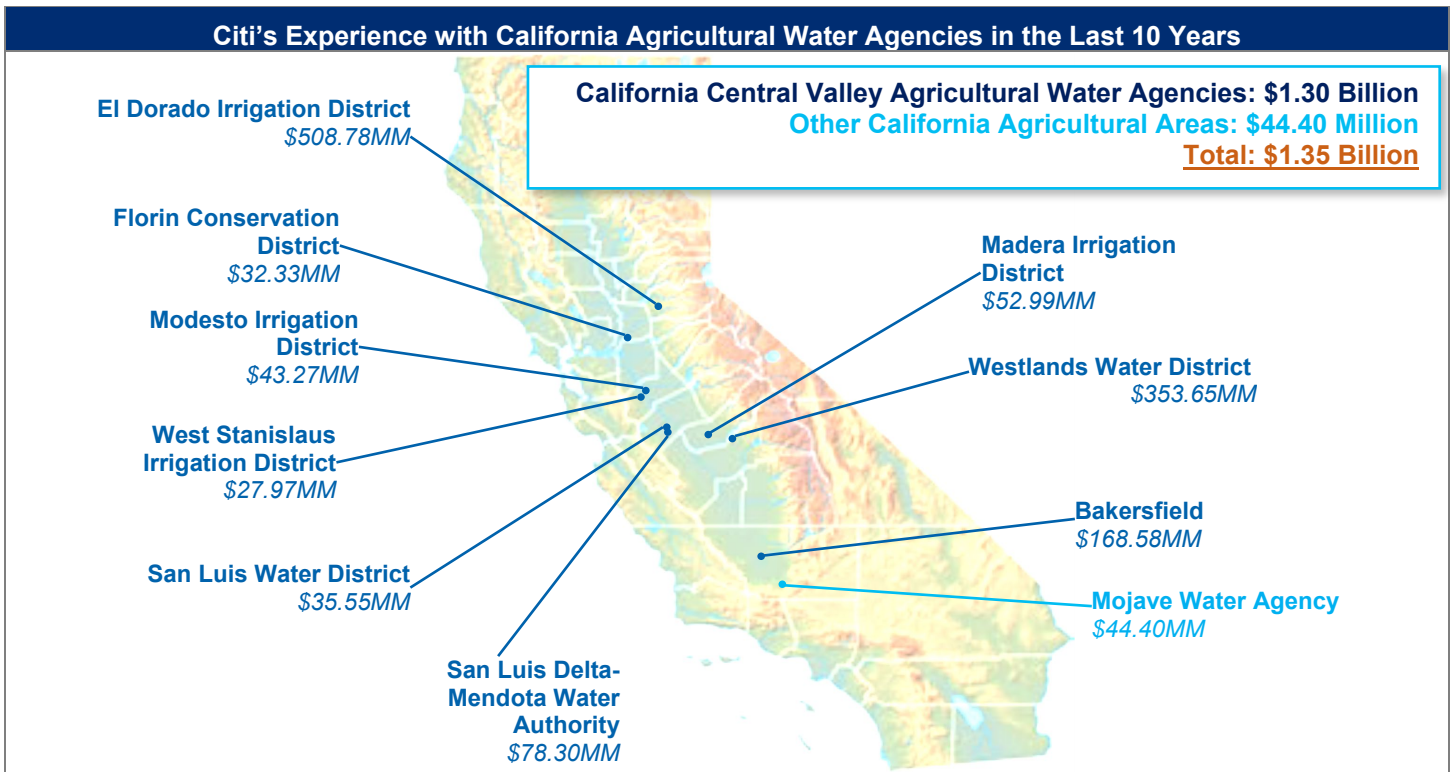
Prior to Pricing: Investor Outreach	
Investor Identification	<ul style="list-style-type: none"> <li>Target investors</li> <li>Marketing campaign</li> </ul>
Pre-marketing strategy	<ul style="list-style-type: none"> <li>Citi has already been working behind the scenes to identify which buyers are active in the market. Given the unprecedented mutual fund outflows, this investor discovery process <b>must go beyond the traditional buyers and holders.</b></li> <li>Citi uses our <b>extensive secondary and primary market database</b> and proprietary algorithms to identify a viable and robust investor pool.</li> <li>Citi’s sales desk begins <b>outreach with specific likely investors</b> to gauge early interest in the bonds. This will be a critical part of the</li> </ul>

<ul style="list-style-type: none"> <li>• Outreach to targeted investors</li> <li>• Retail</li> <li>• Institutional</li> </ul>	<p>marketing process. The targeting efforts will lead to more in depth conversations with the most engaged investors.</p> <ul style="list-style-type: none"> <li>➤ Thanks to Citi’s distribution agreement with Fidelity, our firm has the tools to help maximize <b>retail participation</b>.</li> <li>➤ Using our investor targeting algorithms has proven to be a successful formula for identifying and targeting <b>institutional investors</b> that might be overlooked by firms with less coverage in the market.</li> </ul>
<p><b>Communicating the Credit Story</b></p> <ul style="list-style-type: none"> <li>• Rating Presentation</li> <li>• POS and Investor Road Show</li> <li>• Specific COVID-19 material</li> </ul>	<ul style="list-style-type: none"> <li>➤ As the District has not come to market in the past two decades, Citi will work with the District and Financial Advisor to prepare a <b>credit presentation</b> that highlights the high-quality credit aspects of the District’s revenues and financials.</li> <li>➤ The <b>POS</b> will be posted on MuniOS or the District’s preferred platform seven to ten days prior to sale</li> <li>➤ During premarketing we will proactively work with investors, using technological tools to accommodate logistical challenges including portfolio managers and analysts still possibly working remotely.</li> <li>➤ This is the <b>District’s opportunity to directly address potential credit impacts of COVID-19</b></li> </ul>
<b>Pricing: Building a Book</b>	
<p><b>Pre-pricing and Structure</b></p> <ul style="list-style-type: none"> <li>• Couponing and structure</li> <li>• Release of structure wire</li> </ul>	<ul style="list-style-type: none"> <li>➤ Three business days prior to the sale, Citi solicits and utilizes investor input on key features such as <b>couponing, call features etc.</b> and incorporates investor feedback into a structure wire</li> <li>➤ Throughout this period, Citi and the financing team maintain <b>daily or more frequent contact</b> and are prepared to act quickly in response to market conditions.</li> <li>➤ Preliminary recommendation regarding <b>retail order period</b></li> </ul>
<p><b>Pre-pricing Call</b></p>	<ul style="list-style-type: none"> <li>➤ On the day prior to the Call, Citi will lead a pre-pricing call to discuss feedback and draft preliminary pricing wire for release on the day of pricing in the early morning</li> <li>➤ Final decisions with regard to retail or single order period</li> </ul>
<p><b>Pricing Call and Execution</b></p> <ul style="list-style-type: none"> <li>• Release of Pre-marketing Wire</li> <li>• Launch</li> </ul>	<ul style="list-style-type: none"> <li>➤ Close of business on day prior to planned sale: release premarketing scale</li> <li>➤ Pricing Morning: Check-in call to reassess recent developments, monitor market and determine go or no-go</li> <li>➤ When the conditions are right and investor interest is deemed solid, Citi will launch the order period and be prepared to close the order period when sufficient orders are placed.</li> </ul>
<b>Post-Pricing</b>	
<p><b>Close within 7-10 business days</b></p>	<ul style="list-style-type: none"> <li>➤ We recommend a quick close post-pricing. This will reduce the risk of exposure to additional market disruption</li> </ul>

2. Please describe your experience working as underwriter for publicly sold debt for California agricultural water agencies in the last ten years. Please indicate whether you were senior manager or co-manager for each transaction.

**Citi’s Experience with California Agricultural Water Agencies.** For decades, Citi has been the leading underwriter for California agricultural water agencies. During the last ten years, we have been engaged on a total of **29 transactions**, totalling more than **\$1.39 billion** in par amount for California agriculture water agencies. **All of these transactions have been senior-managed.** As outlined in the accompanying map, we have summarized our experience with financings with California Agricultural Water Agencies. On the next page we have provided a summary and a deal list of our experience with California agriculture water agencies issuers:





Sale Date	Issuer	Issue Description	Par (\$mm)	Tax Status	Citi Role
1/28/2021	San Luis Unit/San Luis Wtr Dt Fin Au	Revenue Bonds	22.545	Tax-Exempt	SOLE
1/26/2021	San Luis & Delta-Mendota Wtr Au	Revenue Bonds	8.020	Taxable	SOLE
1/26/2021	San Luis & Delta-Mendota Wtr Au	Refunding Revenue Bonds	32.725	Taxable	SOLE
6/15/2020	El Dorado Irrigation Dt	Ref & Rev Certs of Participation	66.680	Tax-Exempt	SOLE
6/15/2020	El Dorado Irrigation Dt	Refunding Revenue Bonds	129.020	Taxable	SOLE
6/4/2020	San Luis Unit/Westlands Wtr Dt Fin Au	Revenue & Subordinate Bonds	225.365	Taxable	LEAD
9/19/2017	Bakersfield City-California	Domestic Water Revenue Bonds	23.075	Tax-Exempt	SOLE
6/29/2017	Mojave Water Agency	Refunding Revenue Bonds	31.245	Tax-Exempt	SOLE
6/7/2017	San Luis Water Dt	Rev Certificates of Participation	13.000	Tax-Exempt	SOLE
11/3/2016	Westlands Water Dt	Refunding Revenue Bonds	51.280	Tax-Exempt	SOLE
9/20/2016	El Dorado Irrigation Dt	Refunding Revenue Bonds	85.195	Tax-Exempt	SOLE
8/24/2016	Madera Irrigation Dt	Water Revenue Refunding Bonds	23.710	Tax-Exempt	SOLE
7/12/2016	El Dorado Irrigation Dt	Ref Rev & Certs of Participation	56.005	Tax-Exempt	SOLE
8/20/2015	Madera Irrigation Financing Au	Water Revenue Refunding Bonds	2.550	Tax-Exempt	SOLE
8/20/2015	Madera Irrigation Financing Au	Water Revenue Refunding Bonds	2.680	Tax-Exempt	SOLE
8/20/2015	Madera Irrigation Financing Au	Water Revenue Refunding Bonds	24.045	Tax-Exempt	SOLE
7/8/2015	Bakersfield City-California	Wasterwater Revenue Ref Bonds	25.000	Tax-Exempt	LEAD
7/8/2015	Bakersfield City-California	Wasterwater Revenue Ref Bonds	120.500	Tax-Exempt	LEAD
12/16/2014	Florin Resource Conservation Dt	Water Revenue Refunding Bonds	32.325	Tax-Exempt	SOLE
5/21/2014	Mojave Water Agency	Refunding Revenue Bonds	13.155	Tax-Exempt	SOLE
2/13/2014	El Dorado Irrigation Dt	Refunding Revenue Bonds	121.190	Tax-Exempt	SOLE
8/7/2013	West Stanislaus Irrigation Dt	Rev Certificates of Participation	12.755	Tax-Exempt	SOLE
7/31/2013	Modesto Irrigation Dt Fin Au	Refunding Revenue Bonds	43.270	Tax-Exempt	SOLE
6/4/2013	San Luis & Delta-Mendota Wtr Au	Refunding Revenue Bonds	37.550	Tax-Exempt	SOLE
10/11/2012	Westlands Water Dt	Refunding Revenue Bonds	77.000	Tax-Exempt	SOLE
6/28/2012	El Dorado Irrigation Dt	Refunding Revenue Bonds	1.750	Taxable	SOLE
6/28/2012	El Dorado Irrigation Dt	Refunding Revenue Bonds	48.935	Tax-Exempt	SOLE
4/19/2012	West Stanislaus Irrigation Dt	Rev Certificates of Participation	15.215	Tax-Exempt	SOLE

**Citi's Commitment to Agricultural Agencies.** With the depth and breadth of experience outlined above, Citi is well-positioned to serve as the District's underwriting and banking partner. In addition to our underwriting success with agricultural agencies, we have often provided a similar scope of services for entities throughout California's Central Valley, including:

- ✓ Committed capital to ensure transactions were successfully priced at market levels
- ✓ Provided balance sheet and liquidity to support variable rate programs
- ✓ Assisted in the rating agency process and have helped guide issuers to rating upgrades
- ✓ Broadened the investor base and overall capital market access for entities in the Central Valley

3. Please describe your experience with financings the proceeds of which were used to prepay capital owed to (a) the Bureau of Reclamation in connection with a 9(d) contract conversion or (b) to another federal agency under a similar federal program

**Citi's Experience with Financings to Prepay Capital Owed to the Bureau of Reclamation.** In 2010 and 2011, a handful of irrigation districts in the Central Valley converted their Water Service Contracts to 9(d) Contracts. These districts utilized the municipal market to secure financing and pay USBR in full to convert the contract. Each district issued debt that was secured in part or in whole by special benefit assessments and/or net revenues. Of the districts that issued debt to convert the contract, Citi worked on **3** of those issues. In addition, we recently served as sole manager on **4** similar issues across the San Luis Water District two months ago in January 2021, Central Utah Water Conservancy District in the October 2020, and Westlands Water District in the June 2020, which all involved prepayments of capital owed to the Bureau of Reclamation. **In total, we have served as a manager on 7 issues of this nature since 2010, for a total par amount of nearly \$450 million.** Given our recent and relevant experience, Citi has the knowledge and ability to help the District structure and market the 9(d) contract conversion. We have provided a table below that summarizes our experience with financings to prepay capital owed to the Bureau of Reclamation or similar programs below:

Sale Date	Issuer	Issue Description	Par (\$mm)	Tax-Status	Citi Role	Ratings (M/S/F)
1/28/2021	San Luis Unit/San Luis Wtr Dt Fin Au	Revenue Bonds	22.55	Tax-Exempt	SOLE	NR/A+/NR
10/14/2020	Central Utah Wtr Conservancy Dt	Revenue Bonds	66.57	Tax-Exempt	CO-MGR	NR/AA+/AA+
10/14/2020	Central Utah Wtr Conservancy Dt	Revenue Bonds	96.48	Taxable	CO-MGR	NR/AA+/AA+
6/4/2020	San Luis Unit/Westlands Wtr Dt Fin Au	Revenue & Sub Bonds	225.37	Taxable	LEAD	NR/A+/A+
1/25/2011	Porterville Irrigation District	Revenue Cert. of Part.	5.19	Tax-Exempt	SOLE	NR/A/NR
11/18/2010	Saucelito Irrigation Dt	Cert. of Part.	6.45	Tax-Exempt	SOLE	NR/A/NR
11/3/2010	Delano Earlimart Irrigation Dt	Revenue Cert. of Part.	26.03	Tax-Exempt	SOLE	NR/AA-/NR

**Citi's Experience with Financings to Prepay Commitments to Other Federal Agencies.** In addition to the case studies outlined above, Citi has extensive work with other municipal agencies in negotiations with Prepaying Federal Commitments. A few core examples include:



**Bonneville Power Administration (BPA).** Citi is actively engaged as an investment banker and underwriter for this federal agency that is also 100% ratepayer funded; additionally we work with other municipal agencies associated with BPA (Energy Northwest, Port of Morrow) to issue debt. While BPA has significant a significant capital program, it has no ability to borrow in its own name. As a means of funding their capital program, BPA has structured a variety of programs. One such program included the power prepayment program, where BPA offered customers credits on their future power bills in exchange for upfront capital



**TIFIA / RRIF.** Citi has extensive experience with municipal transportation agencies throughout the nation who have borrowed from the US DOT; we have served and as structuring agent and underwriter for agencies who have pre-paid loans to US DOT. DOT will negotiate a debt service schedule with the borrower that provides a high probability of repayment and avoidance of default. In return, US DOT typically requires that excess revenues not needed for project or ongoing operational purposes be applied to prepayment of the TIFIA/RRIF loan

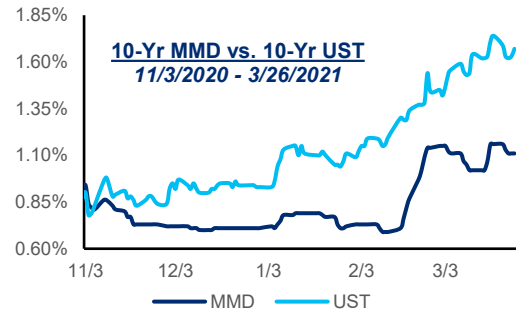


**Federal Unemployment Trust Fund Financings.** Citi has served as investment banker and underwriter for various states who have issued municipal debt to pre-pay loans made by the Department of Labor; we have served in this capacity for the states of Michigan, Pennsylvania, Illinois and Texas

4. Provide a summary of your financing plan(s) for the proposed transaction, including the effect of the proposed financing plan on obtaining an investment grade rating, and other considerations you deem relevant. The financing plans should expressly discuss the benefits or drawbacks of obtaining bond insurance and/or a debt service reserve surety and its impact on the pricing.

**Plan of Finance Considerations.** As mentioned before in this RFP, Citi has extensive experience with agriculture water agency issuers, most recently with a San Luis Water District transaction, for which the use of proceeds was used to prepay capital obligations in connection with a 9(d) contract conversion, which priced only two months ago. When developing our recommendation, we considered a tax-exempt or a taxable transaction, whether or not to utilize insurance, and other considerations such as the couponing strategy, and amortization schedule. Our full recommendations and considerations are detailed in the rest of this section.

**Tax-Exempt vs. Taxable Transaction.** Considering the recent surge in taxable municipal issues, we considered the effects of a tax-exempt transaction vs. a taxable one for the District when conducting our analysis. In recent weeks, there has been slight volatility in the financial markets due to mixed reactions of the pace and extent of an economic rebound from the COVID-19 pandemic. Since the beginning of November 2020, when both tax-exempt and taxable 10-year benchmark rates were close to one another in yield, the 10-year U.S Treasury rate has increased by **+77** basis points, but the 10-year AAA MMD GO rate has increased by only **+17** basis points, as indicated by the adjacent table to the right. Given these conditions, **we observe that a tax-exempt issue would carry a lower interest rate as**



**Comparison As of Market Conditions on 3/26/2021**

	Tax-Exempt	Taxable	Difference
All-In TIC	2.62%	3.51%	0.89%
Total D/S	\$29,090,089	\$32,657,436	\$3,567,347
Avg. D/S	\$970,119	\$1,089,085	\$118,967

**represented by the all-in true interest cost (all-in TIC) which is lower by 0.89%.** We should also note that these numbers are based on current market conditions and a project fund of \$20 million. However, should the relationship between Treasury yields and tax-exempt rates change, Citi stands ready to update analyses quickly.

**Obtaining Investment Grade Rating.** Given our experience working with water utility agencies, **we strongly believe that the District should pursue obtaining an investment grade rating from a credit rating agency.** This would allow the District to command a lower financing cost when going to market and can help market the bonds to a broad set of prospective investors. Additionally, should the District wish to execute future municipal transactions, allowing a broad set of investors to gain exposure to the District’s credit can facilitate the marketing process for future issues. We mention this because we recognize that the District has not brought bonds to market in over 2 decades, and investors are not particularly familiar with the District’s credit. Based on ratings of other similar water utility agencies, **we believe a credit rating of ‘A’ is a reasonable rating that the District can achieve for this issue,** and we have used that rating for our analyses.

**Base Scenario: Uninsured Issue.** Given our experience with water utility agency issuers and our capital commitment capabilities, our base case scenario is for the District to issue a 30-year tax-exempt financing with no insurance and no debt service reserve fund (“DSRF”). As demonstrated in the table below, this scenario would result in only an **\$18 million** par amount and an All-In TIC of **2.62%**. The average annual debt service would never rise above **\$1 million** in this scenario. We have provided a financing summary of this scenario below:

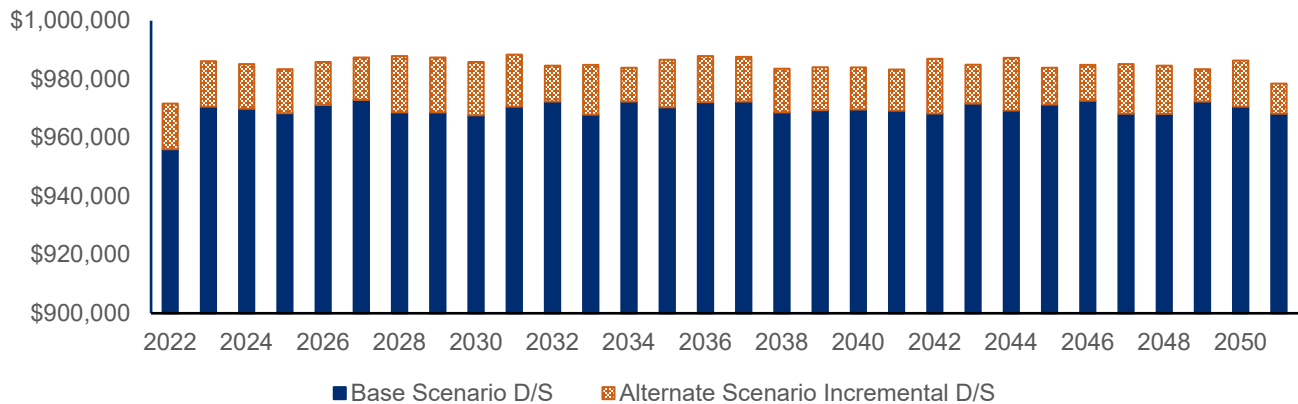
Base Scenario: Financing Summary	
Level Debt Service	Sources & Uses and Statistics
	<b>Sources</b> Par Amount \$18,040,000.00 Premium 2,254,412.40 <b>Total: \$20,294,412.40</b>
	<b>Uses</b> Project Fund \$20,000,000.00 Total Costs of Issuance 294,412.40 <b>Total: \$20,294,412.40</b>
	<b>Statistics</b> All-In TIC <b>2.62%</b> Average Coupon <b>3.35%</b> Total Debt Service <b>\$29,090,088.89</b> Maximum Annual Debt Service <b>\$972,900.00</b> Average Annual Debt Service <b>\$970,118.76</b>
	Assumptions: 'A'-rated credit; Delivery Date on 7/6/2021; July 1 <sup>st</sup> maturity; 30-year amortization; 10-year par call; no insurance and no surety; market rates as of 3/26/2021

**Benefits and Drawbacks of Insurance or Surety.** While our base case does not utilize insurance or a surety policy, we recognize that purchasing one or both of these features can have meaningful impacts on the pricing and financing plan of the proposed 2021 revenue bonds. We have provided a table below illustrating our thoughts on the benefits and drawbacks on the next page.

Benefits and Drawbacks of Insurance and Surety			
<p><b>Insurance Benefits</b></p> <ul style="list-style-type: none"> <li>▲ Potentially lower all-in borrowing cost through reduction in yields</li> <li>▲ Potentially greater investor base</li> <li>▲ Cost to purchase is upfront, one-time charge</li> <li>▲ Provides security to the investors in the event of default on debt service</li> </ul>	<p><b>Insurance Drawbacks</b></p> <ul style="list-style-type: none"> <li>▼ Potentially higher all-in borrowing cost through additional expense</li> <li>▼ Potentially tedious and time-consuming process to go through bidding process</li> </ul>	<p><b>Surety Benefits</b></p> <ul style="list-style-type: none"> <li>▲ Do not need to upsize par amount to fund a DSRF</li> <li>▲ Provides security to the investors if revenues become strained in a given year</li> </ul>	<p><b>Surety Drawbacks</b></p> <ul style="list-style-type: none"> <li>▼ Potentially higher all-in borrowing cost through additional expense</li> <li>▼ Potentially tedious and time-consuming process to go through bidding process</li> </ul>

**Alternate Scenario: Utilizing Insurance or Surety.** When developing our recommended plan of finance, we analysed the effect of utilizing insurance and a surety for the District’s proposed financing. We believe that insurers would likely require a surety policy if the District wishes to use insurance on this issue. As such, we ran preliminary numbers assuming the District purchases both insurance and a surety policy. Based on recent transactions, our assumed insurance premium is **125 basis points** of the principal and interest, and our assumed surety premium is **3.00% of the three-prong test** for a DSRF of the proposed 2021 revenue bonds. Per discussions with our desk, we think that insurance and surety could lower yields by **5 basis points** across all maturities for a tax-exempt issue of this nature. Based on our analysis and assumptions, utilizing insurance and a surety would result in **\$456,000 of additional total debt service** in comparison to the base scenario. The All-In TIC would also be greater than the base scenario by **11 basis points** as well. We found similar results for a taxable structure, wherein insurance and a surety would increase total debt service by **\$293,354** versus and uninsured transaction with no DSRF. As such, **we do not believe utilizing insurance or a surety is necessary for the District**, as these features will not command large enough reductions in the borrowing cost to offset the increase in expenses. Below we have a comparison of our base case scenario and the alternate insurance with surety scenario.

Base Scenario and Alternate Scenario Comparison (Tax-Exempt)			
	Base Scenario	Alternate Scenario (Insurance + Surety)	Difference
Par Amount	\$18,040,000.00	\$18,325,000.00	\$285,000.00
Premium	2,254,412.40	2,372,686.90	118,274.50
Costs of Issuance	294,412.40	298,708.78	4,296.38
Bond Insurance	-	369,326.12	369,326.12
Surety	-	29,652.00	29,652.00
<b>All-In TIC</b>	<b>2.62%</b>	<b>2.73%</b>	<b>0.11%</b>
<b>Total Debt Service</b>	<b>\$29,090,088.89</b>	<b>\$29,546,089.58</b>	<b>\$456,000.69</b>
<b>Maximum Average Debt Service</b>	<b>\$972,900.00</b>	<b>\$988,400.00</b>	<b>\$15,500.00</b>
<b>Average Annual Debt Savings</b>	<b>\$970,118.76</b>	<b>\$985,325.82</b>	<b>\$15,207.06</b>



Assumptions: 'A'-rated credit; Delivery Date on 7/6/2021; July 1<sup>st</sup> maturity; 30-year amortization; 10-year par call; market rates as of 3/26/2021



**Other Structuring Considerations**

**Low Couponing.** Recently, tax-exempt municipal bonds have seen a rise in the use of sub-5% coupons. Our current analysis utilizes 5% coupons until the 2036 maturity, **but then uses 3% coupons thereafter.** Given investors comfort with sub-5% coupons and increase in usage, we think the District should consider utilizing sub-5% to optimize the structure of the issue and achieve the lowest financing costs.

**Amortization: 30 Years vs. 20 Years.** Based on our analysis, we recommend the District consider a 30-year amortization schedule rather than a 20-year amortization schedule. One reason for this is that a longer amortization structure allows for lower average annual debt service. Our analysis estimates that the average annual debt service for the 30-year structure (our base scenario) is \$970,119, while the average annual debt service for a 20-year structure would be \$1,254,719, a **\$284,600** difference. Because the annual debt service burden is smaller with the 30-year amortization schedule, this allows the District \$284,600 worth of flexibility toward the land based or water sales charges. Another reason we recommend a 30-year amortization is that longer amortization schedules can provide greater savings in refunding opportunities in the future. Since we assumed a standard 10-year par call in our analysis, a 30-year amortization schedule could provide greater overall savings since a greater percentage of the principal is set to mature beyond the call date. Based on our analysis, approximately 79% of the bonds' principal would mature after the 10-year call date in a 30-year amortization structure, while only 61% of the principal would mature after the call date in a 20-year amortization structure. Though we would recommend a longer amortization schedule, if the District prefers one particular type of schedule then we would be happy to work with the District and Fieldman Rolapp & Associates to develop a plan of finance that is to the District's liking.


**Final Recommendation**

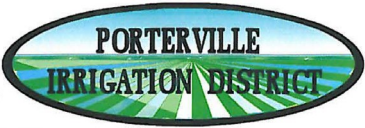

**Citi's Recommendation.** Citi recommends to District pursue an uninsured transaction with no debt service reserve fund. The tax status and amortization can be tailored to the District's situation. While we do not believe the District needs insurance or a surety to successfully execute the transaction, we would still recommend that the District solicit bids from insurance providers and surety providers to test the waters on bid levels, and Citi can help evaluate the economics based upon actual pricing. We ultimately do not believe that the expenses incurred to purchase insurance and a surety will be entirely offset by reductions in debt service on the bonds. However, should insurance providers and surety providers place bids that are significantly lower than the premiums we have assumed in our analysis, then we do think there is potential for meaningful reductions in the borrowing cost of the proposed 2021 revenue bonds.

**5. Please provide case studies for three transactions you believe are most comparable to the District's proposed transaction.**

As previously outlined, Citi has direct experience with debt issuances that financed the prepayment price of the CVP Capital Obligation with other agricultural districts:

**Citi's Comparable Case Studies: Issuing Debt to Prepay CVP Capital Obligations and Convert to 9(d) Contract**

 <p><b>\$22,545,000</b>  <b>Revenue Bonds,</b>  <b>Series 2021</b></p>	<ul style="list-style-type: none"> <li>→ Citi was hired to work with San Luis Water District in the Fall of 2020 to structure a financing to prepay the District's Capital Obligation to USBR</li> <li>→ The District was in the process of converting its water service contract to a repayment contract with the USBR</li> <li>→ The repayment contract relieved the District from the need to execute interim contracts every two years</li> <li>→ Citi was able to work with the District and Fieldman Rolapp &amp; Associates to sell the bonds with 3% and 2% coupons, <b>achieving a 1.76% All-in borrowing cost</b></li> <li>→ Citi also underwrote nearly 60% of the overall issue, demonstrating our commitment to our clients</li> <li>→ Citi was able to execute a successful pricing on an 'A' rated credit that did not involve a debt service fund, nor the District spending any money on bond insurance or a surety policy</li> </ul>
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 <p><b>\$5,190,000</b>  <b>Revenue Certificates of Participation, Series 2011A</b></p>	<ul style="list-style-type: none"> <li>➔ In January of 2011, Porterville Irrigation District sold Certificates to finance its prepayment price of the CVP Capital to USBR</li> <li>➔ Certificates are secured by a \$29 per acre special benefit assessment as well as water usage rates</li> <li>➔ The prepayment enabled PID to secure 16,200 of Class 1 Acre feet of water and 30,000 of Class 2 Acre feet of water</li> <li>➔ District cash-funded a debt service reserve</li> <li>➔ Certificates had a period in which principal payments were deferred and interest only was paid; from FY2015 until final maturity, the District maintained level debt service payments</li> <li>➔ The Certificates carry a 10-year par call date, commencing February 1, 2020</li> <li>➔ Standard &amp; Poor's Rated the Certificates "A" with "Stable" Outlook</li> <li>➔ Key credit rating driver was 65% of the agricultural land was permanent crop (almonds)</li> </ul>
 <p><b>\$26,025,000</b>  <b>Revenue Certificates of Participation, Series 2010A</b></p>	<ul style="list-style-type: none"> <li>➔ Citi was hired to work with Delano Earlimart Irrigation District in 2010 to structure a financing to prepay the Capital Obligation to USBR</li> <li>➔ DEID successfully conducted a Proposition 218 Process to levy a special benefit assessment of \$28.35 per acre</li> <li>➔ The prepayment enabled DEID to secure 108,800 of Class 1 Acre feet of water and 74,500 of Class 2 Acre feet of water</li> <li>➔ Additionally, proceeds from the Certificates prepaid loans from West America Bank</li> <li>➔ The District structured a reserve fund that was cash funded at maximum annual debt service</li> <li>➔ The Certificates were structured to produce stand-alone level debt service over a 30-year term, with payments averaging \$1.57 million annually</li> <li>➔ DEID secured ratings from Standard &amp; Poor's of "AA-" with a "Stable" outlook</li> </ul>

**6. Disclose or discuss any potential conflicts of interest your firm may have in acting as underwriter for the Authority...**

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**III. Qualifications**

**1. List or summarize your firm's experience as senior managing underwriter for California-based water enterprise revenue obligations, taxable and tax-exempt, in the last 5 years**

**California Water and Wastewater Enterprise Financing Experience.** Citi is proud of our commitment and history of service to water and wastewater utility issuers in California. Over the past 5 years, Citi has served as senior manager on nearly **\$4.1 billion of water/wastewater par across 50 issues**. We have a table summarizing this experience below:

<b>Citi's Senior Managed California-based Water Enterprise Revenue Bond Issues</b>				
<b>Sale Date</b>	<b>Issuer</b>	<b>Issue Description</b>	<b>Par (\$mm)</b>	<b>Tax Status</b>
01/28/21	San Luis Unit/San Luis Wtr Dt Fin Au	Revenue Bonds	22.545	Tax-Exempt
01/26/21	San Luis & Delta-Mendota Wtr Au	Revenue Bonds	8.020	Taxable
01/26/21	San Luis & Delta-Mendota Wtr Au	Refunding Revenue Bonds	32.725	Taxable
07/28/20	El Dorado Irrigation Dt	Refunding Revenue Bonds	81.075	Taxable



<b>Citi's Senior Managed California-based Water Enterprise Revenue Bond Issues</b>				
7/15/2020	Upper Santa Clara Villy Jt Powers Au	Revenue Bonds	31.66	Tax-Exempt
7/15/2020	Upper Santa Clara Villy Jt Powers Au	Revenue Bonds	46.78	Tax-Exempt
7/15/2020	Upper Santa Clara Villy Jt Powers Au	Revenue Bonds	172.64	Taxable
06/24/20	Chino Basin Regional Fin Auth	Refunding Revenue Bonds	56.255	Tax-Exempt
06/15/20	El Dorado Irrigation Dt	Ref & Rev Certs of Participation	66.680	Tax-Exempt
06/15/20	El Dorado Irrigation Dt	Refunding Revenue Bonds	129.020	Taxable
06/04/20	San Luis Unit/Westlands Wtr Dt Fin Au	Revenue & Subordinate Bonds	225.365	Taxable
02/13/20	San Mateo-Foster City Pub Fin Auth	Revenue Bonds	42.310	Tax-Exempt
10/08/19	Stockton Public Fin Authority	Wastewater BANs	118.510	Tax-Exempt
02/05/19	Riverside City-California	Water Refunding Revenue Bonds	114.215	Tax-Exempt
11/06/18	Stockton Public Fin Authority	Water Refunding Revenue Bonds	145.220	Tax-Exempt
09/26/18	Eastern Municipal Water Dt	Ref Water & Wstwtr Rev Bonds	94.455	Tax-Exempt
07/18/18	San Francisco City/Co Public Util Comm	Wastewater Revenue Bonds	179.145	Tax-Exempt
06/27/18	Valley Co Water Dt Fin Auth	Revenue Bonds	22.845	Tax-Exempt
05/02/18	Sacramento Suburban Water Dt	Refunding Revenue Bonds	19.615	Taxable
01/23/18	Upper Santa Clara Villy Jt Powers Au	Revenue Bonds	26.735	Taxable
10/24/17	Novato Sanitary Dt	Wastewater Revenue Ref Bonds	14.355	Tax-Exempt
09/19/17	Bakersfield City-California	Domestic Water Revenue Bonds	23.075	Tax-Exempt
06/29/17	Mojave Water Agency	Refunding Revenue Bonds	31.245	Tax-Exempt
06/22/17	So California Metro Water Dt	Sub Water Revenue Ref Bonds	35.640	Tax-Exempt
06/22/17	So California Metro Water Dt	Sub Water Revenue Refunding Bonds	35.645	Tax-Exempt
06/22/17	So California Metro Water Dt	Sub Water Revenue Refunding Bonds	35.645	Tax-Exempt
06/22/17	So California Metro Water Dt	Sub Water Revenue Refunding Bonds	35.645	Tax-Exempt
06/22/17	So California Metro Water Dt	Sub Water Revenue Refunding Bonds	35.645	Tax-Exempt
06/07/17	San Luis Water Dt	Rev Certificates of Participation	13.000	Tax-Exempt
06/02/17	San Francisco City/Co Public Util Comm	Commercial Paper Notes	750.000	Tax-Exempt
04/26/17	Yorba Linda Water Dt	Revenue Bonds	29.335	Tax-Exempt
04/06/17	Eastern Municipal Water Dt	Ref Water & Wastewater Rev Bonds	50.225	Tax-Exempt
03/10/17	San Francisco City/Co Public Util Comm	Commercial Paper Notes	150.000	Tax-Exempt
02/24/17	So California Metro Water Dt	Water Revenue Bonds	80.000	Tax-Exempt
01/19/17	Chino Basin Regional Fin Auth	Refunding Revenue Bonds	67.615	Tax-Exempt
12/07/16	Mid-Peninsula Water Dt	Certificates of Participation	18.570	Tax-Exempt
11/03/16	Westlands Water Dt	Refunding Revenue Bonds	51.280	Tax-Exempt
10/13/16	Central Basin Municipal Water Dt	Refunding Revenue Bonds	7.240	Tax-Exempt
10/04/16	West Basin Municipal Water Dt	Refunding Revenue Bonds	112.875	Tax-Exempt
09/20/16	El Dorado Irrigation Dt	Refunding Revenue Bonds	85.195	Tax-Exempt
08/24/16	Eastern Municipal Water Dt Fin Auth	Water & Wastewater Revenue Bonds	124.925	Tax-Exempt
08/24/16	Madera Irrigation Dt	Water Revenue Refunding Bonds	23.710	Tax-Exempt
07/12/16	El Dorado Irrigation Dt	Ref Rev & Certs of Participation	56.005	Tax-Exempt
06/28/16	Central Coast Water Authority	Refunding Revenue Bonds	45.470	Tax-Exempt
06/08/16	San Diego Co Water Auth	Water Revenue Refunding Bonds	98.945	Tax-Exempt
06/08/16	San Diego Co Water Auth	Water Revenue Refunding Bonds	197.395	Tax-Exempt
04/13/16	Carpinteria Valley Water Dt	Refunding Revenue Bonds	8.765	Tax-Exempt
04/12/16	Upper Santa Clara Villy Jt Powers Au	Revenue Bonds	56.395	Tax-Exempt
03/15/16	Elsinore Valley Muni Water Dt	Refunding Water Revenue Bonds	71.660	Tax-Exempt
02/25/16	Eastern Municipal Water Dt Fin Auth	Ref Water & Wastewater Rev Bonds	209.230	Tax-Exempt

2. Provide a proposed project team, including your underwriter, including the resumes and roles of each team member. Provide each team member's experience over the last 5 years with California water enterprise revenue obligations (senior managed transactions only)

**Citi's Team.** Citi's team for the District is organized with a single goal in mind – delivering the highest and most comprehensive level of service possible to work with the District to deliver a successful transaction. The staffing of our team is organized for optimal responsiveness and the professionals on the team have been selected based on their specific and relevant experience for the District's proposed transaction. Citi's banking team is based in Los Angeles and San Francisco while one of our underwriters, Matt Hage, is also located in Los Angeles. We recognize the significance of this transaction and are committed to being available to the District. We have provided a table with our proposed team members and their relevant experience in the next page.



Team Members	Role	Relevant Experience
 <p><b>Cameron Parks</b>  <i>Managing Director</i>                      Los Angeles                      (213) 486-7130                      cameron.parks@citi.com</p>	<p><b>Senior Oversight</b>                      Head of Water Infrastructure Group</p>	<p>Within California, Cameron has senior managed over 250 utility bond financings totaling over \$15 billion of par. He has worked with a multitude of water related issuers ranging from other State Water Contractors such as Metropolitan Water District of Southern California Santa Clara Valley Water District, Mojave Water Authority, Central Coast Water Authority, as well as San Diego County Water Authority, and cities such as Riverside, Anaheim, Burbank, Glendale, Los Angeles, San Diego and San Francisco among others. <b>21 years of experience.</b></p> <p><b><u>From January 2016 – Present, Senior-Managed Experience CA Water Enterprise Revenue Bonds: 50 issues (\$4,190.5MM)</u></b></p>
 <p><b>Debra Saunders</b>  <i>Director</i>                      San Francisco                      (415) 951-1749                      debra.saunders@citi.com</p>	<p><b>Credit Marketing Expertise</b>                      Western Region</p>	<p>Debra is a lead banker for numerous northern California local issuers (San Mateo, South San Francisco, and the City and County of San Francisco). Debra's experience also extends to Redwood City's ongoing Lease Revenue Bond deal. Prior to joining Citi, Debra managed Fidelity's West Region Office and served as lead banker. Debra also previously headed the West Region at Ambac Assurance. <b>25 years of experience.</b></p> <p><b><u>From January 2016 – Present, Senior-Managed Experience CA Water Enterprise Revenue Bonds: 5 issues (\$663MM)</u></b></p>
 <p><b>Roshan Pai</b>  <i>Analyst</i>                      Los Angeles                      (213) 486-8962                      roshan.pai@citi.com</p>	<p><b>Analytical Support</b>                      Western Region</p>	<p>Roshan joined Citi's Public Finance department in March 2020 and is responsible for providing general quantitative and qualitative support. He has worked on with the San Luis Water District <b>1 year of experience.</b></p> <p><b><u>From January 2016 – Present, Senior-Managed Experience CA Water Enterprise Revenue Bonds: 2 issues (\$57.5MM)</u></b></p>
 <p><b>Matt Hage</b>  <i>Director</i>                      Los Angeles                      (213) 486-8817                      matthew.hage@citi.com</p>	<p><b>Lead Underwriter</b>                      Los Angeles Underwriting Desk</p>	<p>Matt has worked in the municipal securities industry for nearly 10 years and is currently focused on trading and underwriting across multiple products and credits. Prior to joining Citi in 2018, he worked at Bank of America Merrill Lynch for roughly 7 years serving in trading and underwriting roles. <b>10 years of experience.</b></p> <p><b><u>From January 2016 – Present, Senior-Managed Experience CA Water Enterprise Revenue Bonds: 18 issues (\$1,589.5MM)</u></b></p>
 <p><b>Maureen Mc Cann</b>  <i>Managing Director</i>                      New York                      (212)-723-3946                      maureen.mccann@citi.com</p>	<p><b>Marketing Expertise</b>                      New York</p>	<p>Maureen is responsible for the oversight and coordination of the new issue marketing efforts between our public finance team and our institutional client base. <b>30 years of experience.</b></p> <p><b><u>From January 2016 – Present, Senior-Managed Experience CA Water Enterprise Revenue Bonds: 50 i (\$4,190.5MM)</u></b></p>

## IV. Fees

1. Provide a detail of your proposed fees and expenses for the financing, and any assumptions used in deriving your fee structure. Include takedowns broken out by maturity. Include the proposed cost of underwriter's counsel as a fixed expense item and provide the name of the firm and the lead attorney you propose to retain.

**Proposed Fees.** As requested, we have provided our fees for both a potential taxable issue and a potential tax-exempt issue in the adjacent tables. In these fee proposals, we have assumed a total par value of \$20 million for the taxable issue, and a total par value of \$18.04 million for the tax-exempt issue (which is based on our base scenario with a \$20 million project fund). Whether the issue is taxable or tax-exempt, we propose a takedown of **\$5.00 per bond** across all maturities. However, given the relative size of the proposed 2021 revenue bonds, we propose that the total takedown will be not less than **\$85,000** for a transaction size at or below \$17 million in par amount. Citi is happy to engage in further discussions pertaining to the fees, should we be selected to underwrite the District's transaction.

**Proposed Underwriter's Counsel.** As requested, we have included a legal firm which we propose to use as underwriter's counsel for the District's transaction below. We propose using Brad Patterson at Gilmore & Bell as Underwriter's Counsel in connection with the proposed offering. The proposed fixed expense for underwriter's counsel services would equal **\$10,000**. Should Gilmore & Bell not be amenable to the District, Citi welcomes discussion of alternative counsels.

### Gilmore & Bell

#### Bradley Patterson

Gilmore & Bell, P.C.  
 15 West South Temple, Suite 520  
 Salt Lake City, Utah 84101  
 801-364-5080  
[bpatterson@gilmorebell.com](mailto:bpatterson@gilmorebell.com)

Proposed Taxable Gross Spread (\$20mm Par)		
Proposed Gross Spread	Per \$1,000	Total
Average Takedown	\$5.000	\$100,000.00
Management Fee	0.000	0.00
Underwriters' Expenses	1.162	23,263.22
<b>Total Gross Spread</b>	<b>\$6.162</b>	<b>\$123,263.22</b>

Itemized Expenses		
	Per \$1,000	Total
Underwriter's Counsel	\$0.500	\$10,000.00
Day Loan	0.014	277.78
IPREO	0.100	2,028.95
DTC	0.040	800.00
CDIAC	0.250	5,000.00
CUSIP	0.058	1,156.50
DAC (Cont. Disclosure)	0.025	500.00
Internet Roadshow	0.175	3,500.00
Travel / Out-of-Pocket	0.000	0.00
<b>Total Expenses</b>	<b>\$1.162</b>	<b>\$23,263.22</b>

Does not include costs of in-person investor roadshow or internet roadshow or travel to NYC for pricing.

Proposed Tax-Exempt Gross Spread (\$18mm Par)		
Proposed Gross Spread	Per \$1,000	Total
Average Takedown	\$5.000	\$90,200.00
Management Fee	0.000	0.00
Underwriters' Expenses	1.248	22,550.10
<b>Total Gross Spread</b>	<b>\$6.248</b>	<b>\$112,750.10</b>

Itemized Expenses		
	Per \$1,000	Total
Underwriter's Counsel	\$0.554	\$10,000.00
Day Loan	0.014	250.56
IPREO	0.100	1,833.05
DTC	0.044	800.00
CDIAC	0.250	4,510.00
CUSIP	0.064	1,156.50
DAC (Cont. Disclosure)	0.028	500.00
Internet Roadshow	0.194	3,500.00
Travel / Out-of-Pocket	0.000	0.00
<b>Total Expenses</b>	<b>\$1.248</b>	<b>\$22,550.10</b>

Does not include costs of in-person investor roadshow or internet roadshow or travel to NYC for pricing.



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