

CAMBRIA COMMUNITY SERVICES DISTRICT

TO: Board of Directors

AGENDA NO. **7.C.**FROM: John F. Weigold, IV, General Manager
Timothy Carmel, District Counsel

Meeting Date: July 21, 2022

Subject: SUPPLEMENTAL STAFF REPORT
REGARDING MISSION COUNTRY
DISPOSAL'S SOLID WASTE
COLLECTION AND DISPOSAL RATE
INCREASE REQUEST**RECOMMENDATIONS:**

Staff recommends that the Board discuss and consider the information in this supplemental staff report regarding IWMA fees and the proposed solid waste collection and disposal rate increase from Mission Country Disposal ("MCD").

FISCAL IMPACT:

As noted in the previous staff report, costs associated with the processing of the proposed rate increase to comply with the requirements of Proposition 218 will be borne by MCD.

DISCUSSION:

This supplemental staff report is being provided to advise the Board regarding an additional issue related to the delay in implementing MCD's requested rate increase, specifically IWMA's new fee, which became effective July 1, 2022. As discussed in the original staff report, Mr. Statler's analysis excluded the IWMA fee since it is approved by a separate agency and will be charged separately on customer bills. After the County left the IWMA, it became necessary for the IWMA to reevaluate its fees in light of the anticipated loss of revenue from the customers within the unincorporated areas of the County, which resulted in a delay in adoption of revised fees levied on the haulers and ultimately passed through to customers. At its March 9, 2022 Board of Directors meeting, the IWMA Board adopted revised fees establishing a solid waste management fee equal to 5.4% of gross hauler receipts, effective July 1, 2022.

Subsequent to posting the agenda for today's meeting, Jeff Clarin, MCD's representative, informed the District that since it will likely be October 1, 2022 before new rates will be implemented due to the requirements of Prop 218, there will be a three-month period during which the new IWMA fee is in effect that MCD will not be able to recover. Mr. Clarin advises that this amounts to \$10,208.15 per month or a total of \$30,624.45, and that some other CSDs (Oceano, Nipomo and Avila) have decided to cover both the delayed rate implementation component and/or the new IWMA fee with their solid waste franchise fees. Mr. Clarin also notes that most of the other jurisdictions in the County have implemented their rate increases before July 1, which would have included the three months of IWMA's new fee.

Staff believes that it is not necessary for the District to formally authorize MCD to impose the new IWMA fee, which is a regulatory fee established by a separate regulatory agency and is unrelated to the proposed MCD solid waste rate increase. The new IWMA fee could have been

included on MCD's July invoices and can be included on all future MCD invoices without formal Board action. Nevertheless, it is recommended that the Board's discussion and consideration of MCD's rate increase request also include the issue of the July 2022 IWMA fees. Mr. Clarin will be at the meeting to further explain MCD's concerns in that regard.

July 11, 2022

Report of Finance and Resources & Infrastructure Special Meeting

The Standing Committees on Finance and Resources & Infrastructure held a joint Special Meeting July 11, 2022 via Zoom. The purpose of this meeting was to receive a presentation on the funding process for the Wastewater treatment system IGA projects.

Finance Committee members present included Chair Cindy Steidel, Karen Chrisman, Marvin Corne, Mary Maher, and Cheryl McDowell. Excused absence: Ted Siegler. Resources & Infrastructure Committee members present included Chair Karen Dean, James Webb, Steven Siebuhr, Michael Thomas, and David Pierson. Excused absence: Brad Fowles. Present from CCSD staff were General Manager John Weigold, Administrative Manager Pam Duffield, Finance Manager Denise Fritz, and Utilities Manager/District Engineer Ray Dienzo.

Alex Handlers of Bartel & Wells presented a detailed Power Point Presentation and Report on the Funding Process for the Wastewater Treatment System Investment Grade Audit Projects (IGA). CSDA Finance Team members Bond & Disclosure Counsel Albert Reyes from Kutak Rock, and Underwriter Rick Brandis from Brandis Tallman Oppenheimer, were also present to provide additional details as needed.

Among the topics being presented and discussed during this presentation were a review of the Wastewater Projects which are to be funded through this debt financing, the recommended financing being pursued and the process for that financing, legal structure and key legal covenants, the key parties in this process and their roles, the legal documents that are required, and the draft schedule of this process.

Questions from Committee members for clarification were addressed during the Power Point and answered by Mr. Handlers and the CSDA Finance team. Following the presentation, the floor was opened up for question and comments from the public and Committee members as well as further discussion.

Questions from committee members and public:

1. Are transactional fees part of the loan? Response: Yes, detailing of these fees will be inclusive to information presented at the 7/21/22 CCSD Board Meeting.
2. What if the bond offer is not fully subscribed? Response, the Underwriter takes on anything not subscribed in initial offering, they are responsible for executing fully.
3. Why isn't Proposition 218 mentioned in this financing discussion? Response: Proposition 218 is not a component of this financing. The Sewer (Wastewater) rates accepted by the recent Proposition 218 process are the underlying revenue which support the debt service obligation that will be generated.
4. Can community members purchase the Certificates of Participation? Response: Yes, either directly from the Underwriter (Oppenheimer) or through their personal Investment Brokerage (e.g., Vanguard, Schwab, Fidelity).

Additional clarification questions and discussions related to several topics:

Understanding roles of the Financing Team and Trustee

Obtaining S&P Rating

Benefits/disadvantages of reducing scope of work content or reduction of loan term.

Structured Annual Maturities and Fixed Rates

Mechanisms for the how the financing proceeds are held by the Trustee and accessed by CCSD.

Process for the installment payments.

Reporting and informational update obligations of CCSD.

Benefits of Bond Insurance and Reserve Surety Bond

According to the Draft Schedule presented in this Power Point, the Board will be considering adoption of a financing resolution and approval of the form of the legal documents, and a resolution adopting debt management & disclosure policies at an upcoming CCSD Board Meeting.

There are more steps to this financing process going forward to finalize the debt service, close and receive funds, anticipated to take approximately to the end of August according to the draft schedule presented. Included among these steps are obtaining bond insurance bids, finalizing and posting the Preliminary Official Statement (POS) for investors and begin bond marketing, bond pricing, finalizing debt amount and interest rates, finalizing and signing closing documents, then closing and receipt of funds.

This was a very informational meeting with the opportunity for all committee members, as well as members of the public, to ask questions and get clarification of the details of the debt service process being undertaken to fund the very critical wastewater systems needs as outlined in the PGE IGA report that had been presented to the Board Nov 18, 2021, as well as outlined during the recently passed Prop 218 rate analysis and discussions.

Respectfully submitted,
Director Cindy Steidel, Finance Committee Chair
Director Karen Dean, R&I Committee Chair