

Handout

Agenda Item

5

Date February 5, 2026

**Las Gallinas Valley
Sanitary District**



Lab Building and Pump Station Projects: 2026 Bond Financing



February 5, 2026



Municipal Advisory | Financial Planning | Pension Optimization

Lab Building / Pump Station Projects



Financing Plan

- Project Budget:
 - Lab Building: ≈ \$20.1 million
 - Pump Stations: ≈ \$ 9.4 million
 - **TOTAL:** ≈ **\$29.5 million**
- Debt Financing: ≈ \$28.5 million in par amount / ≈ \$29.85 million financing proceeds (incl. COI)

Wastewater Revenue Financing



- Sanitary districts can finance capital projects with tax-exempt debt
 - **Tax-Exempt:** Investors and banks don't pay income taxes on earned interest and offer lower rates
- Financial markets consider pledge of wastewater revenues to be stable and predictable
 - S&P Global assigned "AAA" rating with Stable outlook to District's 2026 Bonds
- **Net revenue pledge is the most common financing structure for wastewater projects**
 - Gross Revenues – O&M Expenses = Net Revenues
 - Net revenues are pledged for the repayment of the debt
- **Financial covenants:**
 - **Rate Covenant:** Set rates to ensure debt service coverage ratio of no less than 1.25x
 - District is projected to maintain DSCR of **2.25x or better** once the 2026 Bonds are issued
 - **Additional Debt Test:** Additional debt is allowed, as long as Rate Covenant is maintained

Selected Financing Method



- Competitive Public Sale is expected to provide the best financing outcome
- Bonds will be issued through the [Marin Public Financing Authority](#)
- Current financing assumptions:
 - \$28.5 million in par amount / \$29.85 million in total proceeds*
 - 30-year term
 - 3.85% True Interest Cost estimate*
 - \$1,685,000 annual debt service estimate*
 - 1.25x DSC rate covenant
 - 2.25-2.49x projected DSCR for FYs 2027-29*

* Interest rates are subject to change and will be fixed at time of Bond sale based on market interest rates and best bid structure.

Legal Documents



- Financing documents and policies presented:
 - Preliminary Official Statement
 - Notice of Sale
 - Installment Purchase Agreement
 - Indenture of Trust
- Continuing Disclosure Agreement

Next Steps



- **Today:** Approve disclosure and financing documents
- **February 6, 2026:** Distribute Notice of Sale and Preliminary Official Statement
- **February 18, 2026:** Bond Pricing
- **February 26, 2026:** Financing Closes

Questions?



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