



# City of San Juan Bautista

The "City of History"

P.O. Box 1420  
311 Second Street  
San Juan Bautista,  
California 95045  
Main: (831) 623-4661  
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December 27, 2022

**RE: REQUEST FOR PROPOSALS**  
**City of San Juan Bautista**  
**\$14,600,000 – Series 2023 Tax-Exempt Wastewater Revenue Bond**  
**Anticipation Notes / Line of Credit (USDA Grant and Loan**  
**Anticipation Financing)**

## City Council

**Mayor**  
*Leslie Jordan*

**Vice Mayor**  
*John Freeman*

**Councilmember**  
*Scott Freels*

**Councilmember**  
*Jackie Morris Lopez*

**Councilmember**  
*EJ Sabathia*

**City Manager**  
*Don Reynolds*

**City Clerk**  
*Vacant*

**City Treasurer**  
*Vacant*

[www.san-juan-bautista.ca.us](http://www.san-juan-bautista.ca.us)

## Notice Inviting Proposals

The City of San Juan Bautista is soliciting proposals in the "Request for Proposals, or RFP", from qualified lenders and/or financial institutions for a short-term construction credit facility to finance the design and construction of improvements to its Wastewater System as further defined in the RFP. Proposals are **due Wednesday January 18, 2023 by 2:00pm PDT**. Please submit proposals to Don Reynolds, City Manager, at [citymanager@san-juan-bautista.ca.us](mailto:citymanager@san-juan-bautista.ca.us), with a copy to the City's municipal advisor Dmitry Semenov (Ridgeline Municipal Strategies, LLC) at [dsemenov@ridgelinemuni.com](mailto:dsemenov@ridgelinemuni.com).

## City of San Juan Bautista

The City of San Juan Bautista (the "City") is located in the northern part of the San Benito County, along the central California coast, approximately 45 miles south of the City of San Jose. The City was incorporated in 1869 and currently has a population of approximately 2,150 people. The City provides water and wastewater services to over 900 residential and commercial customers in an area that covers approximately 0.7 square miles.

## The City's Wastewater System

The City owns and operates a wastewater collection system that consists of approximately 9.3 miles of gravity trunks, force mains, and five lift stations, which convey the flow to the City's Wastewater Treatment Plant (the "WWTP") (collectively, the "Wastewater System").

## The City's Wastewater Treatment Improvement Project

The City's existing wastewater infrastructure is inadequate to treat wastewater to the required environmental standards. The California State Water Resources Control Board has been assessing fines against the City and the U.S. Environmental Protection Agency has issued an order for the City to bring its Wastewater System into compliance with the wastewater discharge requirements.

To achieve the environmental compliance, the City has determined that the best alternative is to divert the City’s wastewater to the modern regional wastewater treatment plant operated by the City of Hollister and to decommission its own WWTP. This is the most cost-effective and environmentally responsible solution.

The project generally consists of a new 10-inch force main that will connect the City’s Wastewater System with the City of Hollister wastewater treatment plant. The length of the force main is approximately 7.4 miles (the “Project”).

The total Project cost is estimated at approximately \$18.6 million. The Project will be funded through a combination of three different grants (totaling approximately \$8.3 million) and a US Department of Agriculture (the “USDA”) loan (approximately \$10.3 million).

The USDA obligated the funds for the Project on December 12, 2022.

The USDA requires the City to obtain interim financing, which will be paid off by the grants and the USDA loan after Project completion.

**This RFP is for the interim financing for the Project which will be structured as draw-down tax-exempt bond anticipation notes or line of credit.** The interim financing is required before the USDA will allow the City to advertise the Project for bids.

**Project Schedule**

The City expects to go out to bid for the project in the first quarter of 2023 and start project construction in summer of 2023. The project completion is currently anticipated in summer of 2024. It is anticipated that the USDA will be in the position to provide its grant and loan funds shortly thereafter.

**Project / Interim Financing Budget**

**City of San Juan Bautista  
Wastewater Treatment Improvement Project Budget**

Description	USDA Budget	Included in Interim Financing
Bond / Legal Counsel / COI	\$70,000	\$70,000
Interest Expense	\$500,000	\$0
City of Hollister Connection Fees	\$2,547,200	\$0
Environmental Services	\$160,000	\$0
Engineering Services	\$1,687,000	\$892,000
Additional Services	\$239,000	\$239,000
Environmental Mitigation	\$468,000	\$468,000
Project Construction	\$11,217,000	\$11,217,000
Contingency	\$1,682,800	\$1,682,800
Additional COI Contingency	\$0	\$31,200
<b>Total</b>	<b>\$18,571,000</b>	<b>\$14,600,000</b>

The City expects to advertise the Project for bids in the first quarter of 2023. Once bids are received and analyzed, the Project budget will be updated to reflect the winning bid.

**Project Sources and Uses**

City of San Juan Bautista  
Sources and Uses

Funding Sources		Project Uses	
Description	Amount	Description	Amount
EPA STAG	\$1,000,000	Project Budget	\$18,571,000
State of California Appropriation	\$3,000,000		
USDA Grant	\$4,303,000		
USDA Loan	\$10,268,000		
<b>Total Sources</b>	<b>\$18,571,000</b>	<b>Total Uses</b>	<b>\$18,571,000</b>

**City’s Financial Information**

The City’s general website can be accessed at [www.san-juan-bautista.ca.us](http://www.san-juan-bautista.ca.us).

The City’s financial information can be found here:

[2023 Budget](#)

[2022 Budget](#)

[2021 Audited Financial Statements](#)

[2020 Audited Financial Statements](#)

[2019 Audited Financial Statements](#)

The 2022 Audited Financial Statements are expected to be available by the end of January 2023.

**Interim Financing Request**

The City is looking for the following credit facility structure:

- *Financing Amount:* \$14,600,000 maximum advance amount
- Tax-Exempt, non-BQ
- *Term:* 3 years
- *Structure:* Notes or line of credit with ability to make up to 2 draws per month
- *Interest Rate:* The preference is for a fixed interest rate, but variable rate proposals could be considered. Interest to accrue only on the drawn principal amount.
- *Payment frequency:* interest-only payments due quarterly or semi-annually, at lender’s preference, with principal amount due at maturity
- *Repayment sources:* the City’s Wastewater System will make the interest payments from Net Revenues; the principal amount will be repaid through grant and USDA loan proceeds
- No prepayment penalty

**Collateral and Coverage Requirements**

The credit facility will be secured by a pledge of Net Revenues of the City's Wastewater System on parity with the outstanding 2015 Wastewater Revenue Bonds and a pledge of the USDA grant and loan proceeds.

The 2015 Wastewater Revenue Bonds call for the Adjusted Annual Net Revenues to provide at least a 125% coverage for the Annual Debt Service on parity debt and at least 105% coverage for the parity plus subordinate debt.

**Banking Relationship Consideration**

The City is willing to consider relationship pricing opportunities. However, depository relationship / treasury management features and requirements would need to match the needs of the City AND provide a pricing incentive on the credit facility. **Proposals requiring transfer of banking relationship as a condition of credit facility closing will not be considered.**

**Proposal Submission and Evaluation:**

Proposals are **due Wednesday January 18, 2023 by 2:00pm PDT**. Please submit proposals to Don Reynolds, City Manager, at [citymanager@san-juan-bautista.ca.us](mailto:citymanager@san-juan-bautista.ca.us), with a copy to the City's municipal advisor Dmitry Semenov (Ridgeline Municipal Strategies, LLC) at [dsemenov@ridgelinemuni.com](mailto:dsemenov@ridgelinemuni.com).

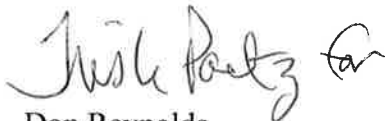
In determining the winning proposal, the City will take into consideration the information submitted and any other factors it deems appropriate. The City reserves the right to exercise its own discretion in making the award, including the option to reject all proposals.

We expect to select the winning proposal by February 1, 2023 and close on the credit facility on February 23, 2023.

Thank you for your consideration. We look forward to the opportunity to work with you on this financing.

All questions regarding this proposal should be directed to the City's municipal advisor, Dmitry Semenov, Ridgeline Municipal Strategies, at (916) 250-1590 or [dsemenov@ridgelinemuni.com](mailto:dsemenov@ridgelinemuni.com).

Sincerely,



Don Reynolds  
City Manager  
City of San Juan Bautista  
Phone: (831) 623-4661, ext. 14  
Email: [citymanager@san-juan-bautista.ca.us](mailto:citymanager@san-juan-bautista.ca.us)

**Attachments:**

Projected Net Revenue and DSCR  
USDA Obligation of Funds Letter  
USDA Letter of Conditions  
2015 Wastewater Installment Sale Agreement

**City of San Juan Bautista  
Wastewater System  
Net Revenue and DSCR Projections**

Description	Draft Actuals					
	Adj Audit 2021	2022 [1]	2023	2024	2025	2026
<b>GROSS REVENUE</b>						
Utility Fees	\$1,094,316	\$1,224,648	\$1,267,204	\$1,444,612	\$1,646,858	\$1,877,418
Rate Increase Revenue	\$0	\$0	\$177,409	\$202,246	\$230,560	\$93,871
Interest Income & Penalties	\$1,343	\$4,306	\$1,000	\$1,000	\$1,000	\$1,000
Connection Fees	\$18,731	\$6,244	\$31,219	\$31,219	\$31,219	\$31,219
Bad Debt Adjustment	-\$24,745	-\$6,566	\$0	\$0	\$0	\$0
<b>Total Gross Revenue</b>	<b>\$1,089,645</b>	<b>\$1,228,632</b>	<b>\$1,476,832</b>	<b>\$1,679,077</b>	<b>\$1,909,637</b>	<b>\$2,003,508</b>
<b>O&amp;M EXPENSES</b>						
Contractual services and utilities	\$452,799	\$409,984	\$349,666	\$252,004	\$139,063	\$144,620
Less: Rate Study and Master Plan costs	-\$51,165	-\$59,593	\$0	\$0	\$0	\$0
Personnel	\$171,102	\$180,896	\$161,661	\$168,936	\$176,538	\$184,482
Supplies, materials & repairs	\$63,682	\$17,831	\$41,803	\$43,684	\$45,650	\$47,704
Fines - RWQCB	\$36,000	\$36,000	\$36,000	\$36,000	\$0	\$0
City of Hollister Charge	\$0	\$0	\$0	\$341,721	\$714,197	\$746,335
<b>Total O&amp;M Expense</b>	<b>\$672,419</b>	<b>\$585,118</b>	<b>\$589,130</b>	<b>\$842,345</b>	<b>\$1,075,447</b>	<b>\$1,123,141</b>
<b>NET REVENUE</b>	<b>\$417,227</b>	<b>\$643,513</b>	<b>\$887,702</b>	<b>\$836,732</b>	<b>\$834,190</b>	<b>\$880,367</b>
<b>PARITY DEBT SERVICE [2]</b>						
2015 Revenue Bonds	\$298,637	\$298,097	\$299,582	\$298,435	\$298,435	\$298,435
USDA Loan Repayment	\$0	\$0	\$0	\$0	\$0	\$426,533
<b>Total Parity Debt Service</b>	<b>\$298,637</b>	<b>\$298,097</b>	<b>\$299,582</b>	<b>\$298,435</b>	<b>\$298,435</b>	<b>\$724,968</b>
<b>Parity Debt Service Coverage Ratio [2]</b>	<b>1.40</b>	<b>2.16</b>	<b>2.96</b>	<b>2.80</b>	<b>2.80</b>	<b>1.21</b>
<b>SUBORDINATE DEBT SERVICE</b>						
2016 General Fund Advance	\$36,496	\$36,496	\$36,496	\$36,496	\$36,496	\$36,496
<b>Total Debt Service Coverage Ratio [2]</b>	<b>1.24</b>	<b>1.92</b>	<b>2.64</b>	<b>2.50</b>	<b>2.49</b>	<b>1.16</b>

[1] 2022 results are preliminary actual numbers and may be adjusted per audit requirements.

[2] The calculation does not include the interim financing interest payments.