

INFRASTRUCTURE STATE REVOLVING FUND PROGRAM

STAFF REPORT

Summary terms

Applicant:	Olivenhain Municipal Water District (OMWD)
Project name:	Wastewater System Capital Improvement and Replacement Project
Applicant eligibility category:	Public Development Facilities
Project eligibility category:	10. Sewage Collection and Treatment
Project location:	Northern San Diego County
Financing amount:	Up to \$7,000,000
Financing term:	20 years
Interest rate:	All-in-interest rate of 4.37% inclusive of 0.15% servicing fee and environmental subsidy.
Fees:	1% origination fee to be financed as part of loan.
Source of repayment:	Borrowers' Wastewater System net revenues.
Security:	A pledge of the Wastewater System's net revenues and all legally available resources of Olivenhain Municipal Water District
Applicant credit rating:	AAA/AA+ (Fitch/S&P) assigned to 2016 Water Revenue Bonds. Moody's QRATE Aa3.Q ¹ on Wastewater System only (assumed AA for pricing).
ISRF funding source(s):	Equity Funds- Bond Anticipation Loan to be reimbursed by the next ISRF Bond proceeds.
Applicant ISRF financing exposure:	This is their first ISRF loan.
IBank referral source	2026 CFCC conference

Executive Summary

Incorporated in 1959, Olivenhain Municipal Water District (OMWD or District) is a public agency providing water, wastewater services, recycled water and related services to a 48.6 square mile service area in northern San Diego County, serving portions of Encinitas (where it is headquartered), Carlsbad, Solana Beach, Rancho Santa Fe, San Marcos, Elfin Forest, 4S Ranch, San Diego and the Olivenhain Valley. The estimated population of the service area is approximately 87,000. The District's Wastewater System ('System') is comprised of two sanitation districts within OMWD's broader service area and has net fixed assets of approximately \$62 million. In 2025 Median Household Income for San Diego County was 132% of U.S. MHI, and 107% of California MHI.

The District has a respective ratings of AAA from Fitch and AA+ from S&P on its outstanding Water System Refunding Revenue Bonds Series 2015A & 2016A. The District also issued 2021 A&B Wastewater Refunding Revenue Bonds through a private placement.

Project description and benefits:

The requested ISRF loan will help finance OMWD's Wastewater System Capital Improvement and Replacement Project. The total Project budget of over \$14M includes 6 component stages to improve the

¹ QRATE from Moody's Analytics is an estimated rating, not a rating from Moody's Investors Service.

District's wastewater system, including major updates to the 4S Wastewater Treatment Plant and the Headworks Screening Project, which together account for over \$6M. Headworks broke ground in February of 2025, and another component known as Programmable Logic Controller (PLC) broke ground in April of 2024. Olivenhain's borrower's resolution, approved 5/20/ 2026, will enable eligible costs to be reimbursed from ISRF loan proceeds.

The Sources and Uses chart below includes a small contingency of \$337,750. The District also has \$3.7M in operating cash to cover any additional costs. Some of the later components are still in the design phase. However, the District is confident they have allocated sufficient funds.

Project Uses	Project Sources		
	IBank	Olivenhain Municipal Water District	Total
Building Construction/Renovation, Other & Contingencies/ Engineering/Architectural/Design/Permits/Environmental	\$6,930,000	\$7,349,750	\$14,279,750
Origination Fee	\$70,000		\$70,000
Total	\$7,000,000	\$7,349,750	\$14,349,750

The Project provides economic benefits through the rehabilitation and replacement of critical wastewater infrastructure necessary to maintain reliable wastewater collection and treatment for District customers, as well as recycled water production. The Project is intended to reduce the risk of unplanned system failures, emergency repairs, regulatory impacts, and service disruptions, while extending the useful life of existing public infrastructure assets.

Financial and Repayment Analysis:

The Loan will be secured by a pledge of net revenues from Olivenhain's Wastewater System. As presented below, the System generated sufficient net cash flow to cover debt service obligations in the five fiscal years reviewed. Although the District reported operating losses in all five years, this is not uncommon for water districts with high depreciation expense. Once depreciation is added back, Wastewater operations were positive in all five years. The District also has had significant interest income in recent years. FY 2025 Ending Fund Balance remains strong at \$69.2M. Taking into account the current financing request as well as debt service on existing Wastewater Revenue Bonds, FY 2025 cash available to service debt was \$1.8M, which provides a DSCR of 1.24X.

CASH FLOW					
For Fiscal Year Ending (FYE) June 30	2021	2022	2023	2024	2025
Operating Income (Loss)	(\$658,071)	(\$566,589)	(\$161,753)	(\$756,639)	(\$1,245,701)
Transaction Specific Adjustments					
Investment income	\$75,069	\$62,999	\$518,655	\$661,984	\$491,138
Capacity Charges	\$0	\$914,760	\$0	\$0	\$4,070
Other Non-Operating Revenues				\$116,156	
Depreciation	\$2,230,945	\$2,344,990	\$2,328,654	\$2,351,743	\$2,542,981
Total of all Adjustments	\$2,306,014	\$3,322,749	\$2,847,309	\$3,129,883	\$3,038,189
Cash Available for Debt Service	\$1,647,943	\$2,756,160	\$2,685,556	\$2,373,244	\$1,792,488
Debt Service Calculation					
Total Existing MADS Debt Service	\$913,106	\$913,106	\$913,106	\$913,106	\$913,106
Proposed IBank MADS ⁽¹⁾	\$530,808	\$530,808	\$530,808	\$530,808	\$530,808
Total Obligations MADS	\$1,443,914	\$1,443,914	\$1,443,914	\$1,443,914	\$1,443,914
Debt Service Coverage Ratio ⁽²⁾	1.14	1.91	1.86	1.64	1.24
Total Cash Available for Debt Service	\$1,647,943	\$2,756,160	\$2,685,556	\$2,373,244	\$1,792,488

(1) Calculated at \$7,000,000 at all-in rate of 4.37% (including a 0.15% annual servicing fee) for a term of 20 years.

(2) Existing Parity Debt Minimum Required DSCR 1.25

The District provided projections of revenues and expenses for Wastewater Operations from FY 2026-2029 (see Exhibit #4) which reflect rate increases already approved. Projected DSCR for this period steadily increases from 1.58X to 3.40X.

PROJECTED CASH FLOW				
For Fiscal Year Ending (FYE) June 30	2026	2027	2028	2029
Operating income (loss)	(\$615,985)	(\$716,106)	(\$461,448)	(\$352,832)
Transaction Specific Adjustments				
Investment income	\$266,000	\$548,000	\$446,000	\$281,000
Depreciation and amortization	\$2,631,985	\$2,724,105	\$2,819,448	\$2,918,129
Total of all Adjustments	\$2,897,985	\$3,272,105	\$3,265,448	\$3,199,129
Cash Available for Debt Service	\$2,282,000	\$2,555,999	\$2,804,000	\$2,846,297
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Total Existing MADS Debt Service	\$913,106	\$913,106	\$913,106	\$307,370
Proposed IBank MADS ⁽¹⁾	\$530,808	\$530,808	\$530,808	\$530,808
Total Obligations MADS	\$1,443,914	\$1,443,914	\$1,443,914	\$838,178
Debt Service Coverage Ratio ⁽²⁾	1.58	1.77	1.94	3.40
Total Cash Available for Debt Service	\$2,282,000	\$2,555,999	\$2,804,000	\$2,846,297

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(2) Existing Parity Debt Minimum Required DSCR 1.25

Risks and mitigants

Risk: The District is not prohibited from incurring additional debt on behalf of the Wastewater System during the life of ISRF loan.

Mitigants:

- The District will be prohibited from issuing future debt senior to the IBank financing.
- New parity debt will only be permitted if Net Revenues support a Debt Service Coverage Ratio (DSCR) of at least 1.25x, based on Annual Debt Service (ADS). (This matches the additional debt test on Olivenhain's outstanding wastewater revenue bonds.)
- The District will be required to maintain System rates and charges in an amount sufficient to support a minimum DSCR of 1.25x, based on Annual Debt Service (ADS), for the Loan and any parity debt.
- The System maintains a rate stabilization fund, with no withdrawals or deposits made over the past three years.

Compliance with IBank Criteria, Priorities, and Guidelines

The application and the proposed financing are in accordance with IBank Criteria, Priorities and Guidelines (ISRF Criteria)

ISRF Criteria Waivers

1. None

Staff Recommendation

Staff recommends the Olivenhain Municipal Water District for the ISRF Program Financing in an amount not to exceed \$7,000,000 for the Wastewater System Capital Improvement and Replacement (Project).

IBank Staff:	Richard Nesbitt and Lina Moeller
Date of Staff Report:	10/22/2026
Date of Board Meeting:	10/28/2026
Resolution Number:	26-16

Borrower background

Headquartered in the City of Encinitas, in San Diego County, the Olivenhain Municipal Water District ('OMWD' or the 'District') is a governmental corporation governed by a publicly elected five member

Board of Directors. The District was incorporated in 1959 under the provisions of the California Municipal Water District Act of 1911, section 71000 et. seq. of the California Water Code as amended. At over 48 square miles, OMWD serves approximately 87,000 customers in Encinitas, Carlsbad, San Diego, Solana Beach, and neighboring communities. The District provides services for water, wastewater services, recycled water, hydroelectricity, and the operation of Elfin Forest Recreational Reserve. The District had 92 full-time staff in 2025. See **Exhibit #6** for Service Area for District.

The District's wastewater system is comprised of two sanitation districts, which are also an interconnected system: the Rancho Cielo Sanitation District, in the southeast quadrant of the District's service area, and the 4S Ranch Sanitation District, serving the 4S Ranch master-planned community, as well as the adjacent communities of Santa Luz and Black Mountain Ranch. The District's wastewater facilities include the 2.0 million gallons per day (mgd) 4S Ranch Water Reclamation Facility (WRF), approximately 60 miles of collection system pipelines, and 14 sewer pump stations. Wastewater Services account for about 16% of the District's \$491M asset base, with the rest comprised of Water Services.

Local economy

The City of Encinitas, where the District is headquartered, brings together the communities of New and Old Encinitas, Cardiff-by-the-Sea, Leucadia, and Olivenhain. Encinitas is in northern San Diego County approximately 25 miles north of downtown San Diego and is located along six miles of the Southern California coastline. Encinitas is home to several well-known beaches and is known for its excellent surfing conditions.

San Diego County has a large and diverse economy with about 3.3 million residents and 1.4 million jobs across industries such as healthcare, professional services, tourism, manufacturing, government, defense, and life sciences. The county has a relatively strong labor market, with unemployment around 4.9%, and a median household income of roughly \$106,000. However, the county also faces significant challenges from high housing costs and affordability, which can make it difficult for workers and businesses to keep up with the cost of living. Overall, San Diego County remains a major and relatively high-income regional economy, although recent job growth has been fairly modest.

The District has a population of approximately 86,000 and City of Encinitas' population was at 61,480 in 2024. The 2025 (EDD) unemployment rate was 4.6%, compared to the State's rate of 5.3%. Median Household Income (MHI) in 2025 was \$162,229, which was 163.7% of the State figure.

Project background

The current financing request will be used to fund a broad range of improvements to the District's wastewater system, including rehabilitations, replacements, and modifications at the 4S Wastewater Treatment Plant and within the wastewater collection system, including wastewater pump stations and the Headworks Screening Project. The projects being pursued by the District are intended to ensure the existing system's reliability and capacity. Please See Project Service Area Exhibit #5.

The total Project budget is estimated at \$14.35M, of which the District will contribute \$7.35M.

Timeline for Project components:

- Headworks Screening System began in 2018 and anticipated to be completed in 2027.
- District-Wide PLC Replacements began in 2022 and are anticipated to be completed in 2027.

- Replace Main Switchboard S began in 2025 and anticipated to be completed in 2028.
- Neighborhood #3 Liner Improvements will begin in 2026 and anticipated to be completed in 2027.

Components of the Project include but are not limited to the following:

- **Headworks Screening System Improvements**
This will provide redundancy and improve operational performance; a parallel automatic screen and wash press will be installed in place of the existing manual bar rack. Project includes improvements to the grit handling equipment and odor scrubber.
- **District-Wide PLC Replacements (Wastewater)**
Many of the PLCs are at end of life and will no longer be supported. This project will provide extended dependability and reliability.
- **Replace Main Switchboard S (MSB-S) and Automatic Transfer Switch**
As identified in the 2024 Wastewater Master Plan Update, replace 2000 Amp Main switchboard and 4S WRF main electrical switch gear as it reaches end of life to maintain operational reliability. Budget reflects wastewater's share.
- **Neighborhood #3 Liner Improvements (CS-6.1)**
As identified in the 2024 Wastewater Master Plan Update, localized liner failure in the west well under the manhole covers. Project will address the local liner failures identified at manhole locations and replace non-functioning isolation valves.
- **Del Dios SPS Improvements**
As identified in the 2024 Wastewater Master Plan Update, the Del Dios SPS requires upgrades to pumps, electrical, and other facility improvements. the Del Dios SPS wet and emergency storage tank liner pose a severe risk to the below grade emergency storage basin's structural integrity which can lead to additional critical issues at the site. Complete replacement of existing emergency storage basin liner and rehabilitation of concrete and replacement of wet liners.
- **Midpoint SPS Improvements**
As identified in the 2024 Wastewater Master Plan Update, site/civil, mechanical, and electrical improvements to address equipment conditions reaching the end of useful life and to ensure functionality at the station.

The District is confident they have allocated sufficient funds. They have included in the projection costs 15% contingencies, however the project totals did not break out the contingency amounts for each component. Project benefits include:

- Improved system reliability and redundancy;
- Reduced risk associated with aging infrastructure;
- Extended the useful life and functionality of existing assets; and
- Improved reliability of the wastewater collections system.

Loan security and source of repayment

The ISRF financing will be secured by a pledge of the District's Wastewater System net revenues, and all other legally available resources and will be repaid from these amounts. An overview of the strength of Wastewater Service's system and finances appears below.

System Overview

Wastewater Asset description

System size: The District's wastewater system provides sewer service to approximately 6,600 customers in the 4S Ranch and Rancho Cielo service areas and includes the 2.0 million gallon per day 4S Ranch WRF, 60 miles of wastewater collection system piping, and 14 pump stations.

A 10 year CIP plan was provided by the District that includes a total of 40 defined projects and programs over a total 10-year plan. District is planning to execute over \$30.4 million in wastewater capital replacement and rehabilitation projects.

According to the District's Masterplan, Dudek environmental firm estimates Useful Life of the assets to be between 20 years and 25 years remaining.

Rate and customer information

The chart below shows how the District has increased rates over the past five years, showing significant rate increases in order to meet their capital improvements.

HISTORICAL RATE INCREASES OF THE PAST FIVE YEARS		
Date Adopted	Date Effective	Percent Increase
5/21/2021	7/1/2021	2.0%
5/21/2021	7/1/2022	3.0%
5/21/2021	7/1/2023	3.0%
6/19/2024	7/1/2024	5.5%
6/19/2024	7/1/2025	5.5%

Source: Financing Application Addendum

The chart below shows that the District has a strongly residential customer base with commercial customers representing a relatively small share of connections.

NUMBER OF USERS BY CATEGORY					
For Fiscal Year Ending (FYE) June 30	2022	2023	2024	2025	2026
Residential	5,377	5,382	5,466	5,467	5,467
Commercial	88	89	89	88	89
Industrial					
Other					
Total	5,465	5,471	5,555	5,555	5,556
% change	N/A	0.11%	1.51%	0.00%	0.02%

Source: Financing Application Addendum

Table below shows Residential users monthly charges based 2025 MHI%. The District water rates are comprised of a fixed monthly charge and a commodity charge based on the amount of water used.

HISTORICAL AND CURRENT AVERAGE MONTHLY USER CHARGE PER RESIDENTIAL UNIT					
For Fiscal Year Ending (FYE) June 30	2022	2023	2024	2025	2026
Residential	\$63.18	\$65.12	\$67.14	\$70.56	\$74.50
% change	N/A	3.1%	3.1%	5.1%	5.6%
% of MHI (2025 at \$162,229)	0.5%	0.5%	0.5%	0.5%	0.6%

Source: Financing Application Addendum

The chart below is the District's projected average monthly charges, based on a 5-year schedule of rate increases that was approved in June 2024. After FY 2029 the District anticipates it will engage in another Prop 218 process to evaluate possible rate increases and allow for public comment and feedback on any proposed increases.

PROJECTED AVERAGE MONTHLY USER CHARGE PER RESIDENTIAL UNIT				
For Fiscal Year Ending (FYE) June 30	2026	2027	2028	2029
Residential	\$78.63	\$82.96	\$87.57	\$92.39
% change	0.06	0.06	0.06	0.06

Source: Financing Application Addendum

The table below shows that residential customers accounted for 79.8% of annual water usage and 76.1% of revenues generated by the District. Commercial customers represent a relatively small share of water use (20.2%) and nearly 24% of annual revenues.

CURRENT SYSTEM USAGE & REVENUE				
	Annual Usage (CCF) ⁽¹⁾	% Annual Usage	Gross Annual Revenue	% Gross Annual Revenue
Residential	469,038	79.8%	\$4,384,035	76.1%
Commercial	118,699	20.2%	\$1,376,852	23.9%
Industrial	0	0.0%	\$0	0.0%
Other	0	0.0%	\$0	0.0%
Total	587,737	100.0%	\$5,760,887	100.0%

Source: Financing Application

⁽¹⁾ Hundred cubic feet

The chart below shows the four closest systems and their average rates as compared to Olivenhain Municipal Water District. While the District has a relatively high average cost, however, it is below the Fallbrook Public Utility District, which has a 12.7% higher cost, and is comparable to the Padre Dam Municipal Water District.

CURRENT AVERAGE MONTHLY SYSTEM USER CHARGE COMPARED TO NEARBY SYSTEMS			
System Name	Distance in Miles	Location	Average Monthly Residential Rate
Olivenhain Municipal Water District	N/A		\$74.50
Leucadia Wastewater District	10.6	Carlsbad, CA	\$53.08
Otay MWD	36.2	Spring Valley, CA	\$44.92
Fallbrook Public Utility District	26.6	Fallbrook, CA	\$83.95
Padre Dam MWD	31.6	Santee, CA	\$73.81
Average Monthly Charge			\$66.05

Source: Financing Application Addendum

The table below shows top 10 customers. All of the system users have well below the ISRF Criteria limit of 15% concentration, or a combined 50% for the top ten ratepayers.

TEN LARGEST SYSTEM USER as of JUNE 30, 2025				
	User	% System Use	% System Revenues	Customer Class (Residential/ Commercial/ Industrial/Other)
1	Cymer Inc.	4.9%	5.64%	Commercial
2	4S Ranch Holdo LLC	4.3%	5.35%	Residential
3	Amante and Ravenna at 4S	3.4%	3.61%	Residential
4	Summit of Rancho Bernardo HOA	2.6%	3.05%	Residential
5	Bridgeport 4S	2.4%	2.49%	Residential
6	Gianni at 4S Ranch	2.0%	2.11%	Residential
7	Santaluz Family Apartments LP	2.0%	1.87%	Residential
8	Poway Unified School District	1.3%	1.57%	Commercial
9	San Moritz at 4S Ranch HOA	1.3%	1.42%	Residential
10	Dove Canyon Apartments	1.5%	1.31%	Residential
Total		25.7%	28.4%	

Source: Financing Application Addendum

Credit analysis

The District is operated as an enterprise fund. The finances of the District are kept on the accrual basis of accounting. Audited financial statements for the District's Wastewater Services system are presented for fiscal years 2021-2025 in Exhibit 1 and 2, and the analysis below focuses only on these activities ('Wastewater' or 'System' for short). The District's Fiscal Year is from July 1 to June 30.

As noted, Olivenhain Municipal Water District has a respective S&P rating of "AA+" on its outstanding 2021 A&B Wastewater Refunding Revenue Bonds and a Fitch rating of "AAA" on its outstanding Water System Refunding Revenue Bonds Series 2015A & 2016A.

Comparative Balance Sheet Analysis (Exhibit 1):

- Wastewater's current assets as of FY 2025 were \$17.2M. The overall Balance Sheet has been stable.

- Total Liabilities decreased \$1.23M in FY25, to \$10.5M, largely due to long-term liabilities being reduced by \$920K. LT liabilities of \$9.1M consist mainly of 2021A and 2021B Wastewater Revenue Bonds issued for a total of \$8.9M, which had \$5.9M outstanding in FY25. The bonds were issued via private placement and purchased by Sterling National Bank. The 2021A bonds mature on 2041, and the 2021B bonds in 2028. The proposed 1.25x DSCR covenant on the ISRF loan is intended to mirror the covenants on the bonds.
- The Leverage Ratio (total liabilities-to-net position) is low throughout the period, remaining consistent at 0.2X, reflecting the System's strong financial position. The System's total net position has hovered around \$68M in recent years, with a high of \$69.2M in FY25. Net position consists of \$55.8M of Net Investment in Capital Assets, and \$13.4M unrestricted. Overall, the stability of Wastewater's net position reflects the soundness of its operations.

Comparative Income Statement Analysis (Exhibit 2):

- Operating margins from FY 2021 – FY 2025 have been consistently negative due to higher operating costs. However, after the addback of depreciation the operating margin was positive in all five years. Depreciation accounted for 36% of operating expenses on average.
- The System's operating revenues in FY 2024 were \$5.4M and \$5.8M in FY 2025, an increase of \$400K or 5.5%, vs. FY 2024. This was primarily due to increased sewer charges, which is their main source of revenues. Wastewater also typically receives interest income (listed as non-operating revenue), which averaged \$557K over the last three years.

Note: OMWD's wastewater charges are based, in part, on prior-year water consumption. Because FY 2023 was unusually wet, customers may have used less water, resulting in lower usage levels being used to calculate FY 2024 wastewater charges and potentially reducing wastewater revenue in FY 2024, even though the wet weather occurred the year before.

- Wastewater's operating expenses primarily consist of sewer collection and treatment costs, maintenance, customer service, and general and administrative costs. Treatment costs increased in FY 2025 by \$335K due to costs associated with the shut down for repairs to the treatment system. These costs have remained somewhat stable except for General and Administrative Costs that increased 44.4% to almost \$2M due to inflation and increased staffing costs. In FY 2025 total Operating Expenses were \$7M (inclusive of depreciation of \$2.5M).
- Non-operating expenses include interest payments on the bonds, at \$166K in FY25. While other non-operating expenses has typically been low, these jumped to \$1.1M in FY25. The major drivers are loss on disposal of fixed assets, in addition to outside services and expenses related to bond disclosure and trustee fees.
- As noted, Net Position (Fund Balances) has been strong at consistently over \$67.5M in FY 2021, including \$69.2M in FY25. The stability of the System's operations supports long-term capital planning and future infrastructure needs.

Please see key indicators table in **Exhibit 3** for various economic and financial data for Olivenhain Municipal Water District (OMWD).

Repayment analysis:

Per the table below, over the five-year review period (FY2021–FY2025), the District's Wastewater System, when adjusted for depreciation, shows sufficient net operating income to meet projected debt service requirements. Annual sewer charge revenues have remained relatively stable, with operating surpluses (after addback of depreciation) averaging 31%. As noted, the Wastewater System has maintained a strong, stable balance sheet, with a FY 2025 year-end net position of approximately \$69.2M, which is largely attributable to the District's investment in long-lived capital assets, provides significant financial stability and offsets short-term solvency concerns.

CASH FLOW						
For Fiscal Year Ending (FYE) June 30		2021	2022	2023	2024	2025
	Operating Income (Loss)	(\$658,071)	(\$566,589)	(\$161,753)	(\$756,639)	(\$1,245,701)
Transaction Specific Adjustments						
	Investment income	\$75,069	\$62,999	\$518,655	\$661,984	\$491,138
	Capacity Charges	\$0	\$914,760	\$0	\$0	\$4,070
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	Depreciation	\$2,230,945	\$2,344,990	\$2,328,654	\$2,351,743	\$2,542,981
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Projections

The District provided projections of Wastewater System revenues and expenses from FY 2026-2029, detailed in **Exhibit #4**. The System has sufficient cash flow in the projected years, with a minimum DSCR of 1.58X in FY2026 that improves through FY 2029.

PROJECTED CASH FLOW					
For Fiscal Year Ending (FYE) June 30		2026	2027	2028	2029
	Operating income (loss)	(\$615,985)	(\$716,106)	(\$461,448)	(\$352,832)
Transaction Specific Adjustments					
	Investment income	\$266,000	\$548,000	\$446,000	\$281,000
	Depreciation and amortization	\$2,631,985	\$2,724,105	\$2,819,448	\$2,918,129
	Capacity Charges				
Total of all Adjustments		\$2,897,985	\$3,272,105	\$3,265,448	\$3,199,129
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Total Cash Available for Debt Service		\$2,282,000	\$2,555,999	\$2,804,000	\$2,846,297

1) Calculated at \$7,000,000 at all-in rate of 4.37% (including a 0.15% annual servicing fee) for a term of 20 years.

The main assumptions are as follows:

- Sewer charge revenues are projected to increase 5.5% each year over the forecast period based on anticipated rate adjustments, customer growth, and ongoing recovery of wastewater system operating and capital costs. However, for FY 2026 the District's budget and rate adjustment results

in an increase of 11.87%. This is because the Consumption factor used to calculate FY26 budget was greater than that for FY 2025 budget, by 8.24%. Adding the 5.5% rate adjustment resulted in an 11.87% increase in total revenue.

- Sewer Collection and Treatment: Future expenditures assume 3% moderate inflationary growth, operational efficiencies, and management of treatment and collection costs.
- Facilities Maintenance: Facilities maintenance expenditures are projected to remain relatively stable, with modest annual increases reflecting inflation and routine maintenance requirements. The forecast assumes no significant extraordinary maintenance event during the projection period. If extraordinary costs are incurred, the District believes it has adequate reserves to cover them.
- General and Administrative: G&A is projected to increase 3% with moderate rates consistent with inflation, personnel costs, and general administrative requirements.
- Depreciation and Amortization: Depreciation and amortization are projected to increase approximately 3.5% annually.
- Investment Income: Investment income is projected each year based on anticipated investable balances and prevailing market conditions. The decline in FY 28 and FY 29 would result in the District having less cash available to invest as existing funds are used to support operations and capital needs.

TERMS AND CONDITIONS

Staff recommends approval of Resolution No. **26-16** authorizing ISRF Program financing to the Olivenhain Municipal Water District (OMWD) Project, subject to the following key terms and conditions:

- 1. Applicant/Borrower:** Olivenhain Municipal Water District (OMWD or Borrower)
- 2. Project Name:** Wastewater System Capital Improvement and Replacement
- 3. Amount of ISRF Program financing:** Not to exceed \$7,000,000 (Tax-exempt Financing)
- 4. Maturity:** Not to exceed 20 years. Financing may not be prepaid during the first 10 years.
- 5. Repayment/Security:** The Financing will be secured by a senior lien on net system revenues (Net Revenues) from the District's Wastewater System (System) and all legally available amounts in the System.
- 6. Interest Rate:** All-in 4.37% which includes annual servicing fee described in item 7 below. The rate will be locked as outlined in item 8 below.
- 7. Fees:** Borrower to pay the origination fee of 1.00% (up to \$70,000) of the Financing amount upon close of Financing, and an annual servicing fee of 0.15% of the outstanding balance.
- 8. Rate Lock:** The interest rate in item 6 will be locked in for a period of 90 calendar days after IBank Board (Board) approval of the ISRF financing (the Rate Lock Period). After the Rate Lock Period, and up until IBank's Financing commitment expires (as described in item 9 below), the interest rate may be reset at the discretion of IBank's Credit Committee.
- 9. Limited Time:** Subject to the Board's approval of the Financing resolution, IBank's Financing commitment expires 180 calendar days from the date of its adoption. If the Borrower and IBank have not executed a financing agreement (Financing Agreement) before the commitment expires, there can be no assurances that IBank will be able to grant the Financing to the Borrower or consider extending the commitment period.
- 10. Not an Unconditional Commitment:** If the IBank Board (Board) approves the resolution authorizing the Financing request, the resolution shall not be construed as an unconditional commitment to finance the Project, but rather is conditioned upon entry by IBank and the Borrower into a Financing Agreement (or Agreements), in form and substance satisfactory to IBank.
- 11. ISRF Program Financing Agreement Covenants and Conditions:** The Financing Agreement shall include, among other things, the following covenants:
 - a.** The System has no debt secured by senior lien on Net Revenues, and the Borrower will be prohibited from issuing future debt senior to the IBank financing.
 - b.** Parity debt will be allowed if Net Revenues amount to at least 1.25 times the Annual Debt Service (ADS), taking into consideration the ADS payable in any Fiscal Year on all existing parity debt and the Financing, and the proposed parity debt, payable from the System.
 - c.** Subordinate debt will be allowed if Net Revenues are at least 1.00 times the sum of the ADS on all outstanding debt payable from the System.
 - d.** The Borrower will be required to maintain rates and charges in an amount sufficient to ensure in each fiscal year that Net Revenues produce a minimum 1.25 times aggregate annual debt service coverage ratio for the Financing and all parity debt, and a minimum 1.00 times annual debt service coverage ratio when including subordinate debt.
 - e.** The Borrower will covenant against reducing rates below levels used for all debt service payable from the System, and to take actions to increase rates or fund a rate stabilization fund if debt service coverage ratios fall below required levels.
 - f.** Upon implementing rates and charges, the Borrower to covenant to ensure that its rate structure conforms to the requirements of Proposition 218 and those of the statutes implementing it and

the cases interpreting it. Further, the Borrower to covenant to notify IBank immediately upon the filing of any legal challenge to its rates or charges.

g. The Borrower to comply with the requirements of the ISRF Program Criteria and all applicable laws, regulations, and permitting requirements associated with public works projects.

h. The Borrower shall meet standard insurance requirements with respect to the enterprise system, general liability insurance, worker's compensation, and builder's risk insurance.

i. The Borrower to provide to IBank annually, within 180 days of the end of each of the Borrower's fiscal years, a copy of its audited financial statements together with an annual certificate demonstrating compliance with the foregoing covenants, as well as any other information IBank may reasonably request from time to time.

j. Such other covenants and conditions that IBank or its counsel may reasonably require.

Exhibit #1

OLIVENHAIN MUNICIPAL WATER DISTRICT STATEMENT OF NET POSITION											
For Fiscal Year Ending (FYE) June 30		2021		2022		2023		2024		2025	
Source:		Annual Comprehensive Financial Report (ACFR)	%	Annual Comprehensive Financial Report (ACFR)	%	Annual Comprehensive Financial Report (ACFR)	%	Annual Comprehensive Financial Report (ACFR)	%	Annual Comprehensive Financial Report (ACFR)	%
Assets											
	Current assets	\$14,397,199	19.3%	\$20,985,823	26.4%	\$19,797,922	25.1%	\$17,566,448	22.1%	\$17,192,484	21.8%
	Capital assets	\$60,362,888	80.7%	\$58,563,659	73.6%	\$59,125,021	74.9%	\$61,749,440	77.9%	\$61,737,351	78.2%
	Total Assets	\$74,760,087	100.0%	\$79,549,482	100.0%	\$78,922,943	100.0%	\$79,315,888	100.0%	\$78,929,835	100.0%
DEFERRED OUTFLOWS OF RESOURCES											
	Deferred amount on refunding										
	Pension-related deferred outflows of resources	\$454,158	0.6%	\$257,733	0.3%	\$1,307,590	1.7%	\$1,247,219	1.6%	\$903,527	1.1%
	Total Deferred Outflow of Resources	\$454,158	0.6%	\$257,733	0.3%	\$1,307,590	1.7%	\$1,247,219	1.6%	\$903,527	1.1%
Total Assets and Deferred Outflows of Resources		\$75,214,245	100.6%	\$79,807,215	100.3%	\$80,230,533	101.7%	\$80,563,107	101.6%	\$79,833,362	101.1%
Liabilities											
	Current liabilities	\$682,713	0.9%	\$1,028,927	1.3%	\$1,178,672	1.5%	\$1,709,458	2.2%	\$1,395,483	1.8%
	Long-term liabilities	\$6,851,033	9.2%	\$9,331,767	11.7%	\$10,617,445	13.5%	\$10,071,689	12.7%	\$9,151,377	11.6%
	Total Liabilities	7,533,746	10.1%	10,360,694	13.0%	11,796,117	14.9%	11,781,147	14.9%	10,546,860	13.4%
Deferred Inflows of Resources											
	Pension-related deferred inflows of resources	\$97,806	0.1%	\$1,609,054		\$165,639		\$68,620		\$41,544	0.1%
Total Deferred Inflows of Resources		\$97,806	0.1%	\$1,609,054	2.0%	\$165,639	0.2%	\$68,620	0.1%	\$41,544	0.1%
Net Position:											
	Net investment in capital assets	\$56,349,901	75.4%	\$55,265,562	69.5%	\$55,468,913	70.3%	\$55,814,164	70.4%	\$55,789,631	70.7%
	Unrestricted	\$11,232,792	15.0%	\$12,571,905	15.8%	\$12,799,864	16.2%	\$12,899,176	16.3%	\$13,455,327	17.0%
	Net Position	\$67,582,693	90.4%	\$67,837,467	85.3%	\$68,268,777	86.5%	\$68,713,340	86.6%	\$69,244,958	87.7%
Deferred Outflows of Resources											
Total Net Position		\$74,760,087	100.0%	\$79,807,215	100.3%	\$80,230,533	101.7%	\$80,563,107	101.6%	\$79,833,362	101.1%

Exhibit #2

OLIVENHAIN MUNICIPAL WATER DISTRICT WASTEWATER (SEWER) ENTERPRISE FUND										
For Fiscal Year Ending (FYE) June 30	2021		2022		2023		2024		2025	
Source:	Annual Comprehensive Financial Report (ACFR)	%	Annual Comprehensive Financial Report (ACFR)	%	Annual Comprehensive Financial Report (ACFR)	%	Annual Comprehensive Financial Report (ACFR)	%	Annual Comprehensive Financial Report (ACFR)	%
% Change		N/A		6%		3%		-3%		6%
Operating Revenue										
Sewer Charges	\$5,127,136		\$5,480,925		\$5,621,985		\$5,443,940		\$5,760,887	100.0%
Total Operating Revenues	\$5,127,136	100.0%	\$5,480,925	100.0%	\$5,621,985	100.0%	\$5,443,940	100.0%	\$5,760,887	100.0%
Operating Expenses										
Sewer collection and treatment	2,085,237	40.7%	2,170,341	39.6%	2,026,695	36.0%	2,026,890	37.2%	2,361,678	41.0%
Facilities maintenance	\$84,020	1.6%	\$82,025	1.5%	\$71,457	1.3%	\$79,685	1.5%	\$102,222	1.8%
Customer services			\$988	0.0%	\$760	0.0%				
General and administrative	\$1,385,005	27.0%	\$1,449,170	26.4%	\$1,356,172	24.1%	\$1,742,261	32.0%	\$1,999,707	34.7%
Depreciation and amortization	\$2,230,945	43.5%	\$2,344,990	42.8%	\$2,328,654	41.4%	\$2,351,743	43.2%	\$2,542,981	44.1%
Total Operating Expenses	\$5,785,207	112.8%	\$6,047,514	110.3%	\$5,783,738	102.9%	\$6,200,579	113.9%	\$7,006,588	121.6%
Operating income (loss)	(\$658,071)	-12.8%	(\$566,589)	-10.3%	(\$161,753)	-2.9%	(\$756,639)	-13.9%	(\$1,245,701)	-21.6%
Nonoperating Revenues (Expenses)										
Fair Market value adjustment	(\$79,682)	-1.6%	(\$386,025)	-7.0%	(\$100,747)	-1.8%	\$218,873	4.0%	\$198,995	3.5%
Investment income	\$75,069	1.5%	\$62,999	1.1%	\$518,655	9.2%	\$661,984	12.2%	\$491,138	8.5%
Capacity charges			\$914,760						\$4,070	
Other nonoperating revenues							\$116,156	2.1%		
Interest expense, net	(\$127,134)	-2.5%	(\$142,771)	-2.6%	(\$146,228)	-2.6%	(\$211,543)	-3.9%	(\$166,780)	-2.9%
Other nonoperating expenses	(\$782,601)	-15.3%	(\$116,396)	-2.1%	(\$136,149)	-2.4%	(\$70,384)	-1.3%	(\$1,108,185)	-19.2%
Total nonoperating revenues (expenses)	(\$914,348)	-17.8%	\$332,567	6.1%	\$135,531	2.4%	\$715,086	13.1%	(\$580,762)	-10.1%
Income (loss) before capital contributions	(\$1,572,419)	-30.7%	(\$234,022)	-4.3%	(\$26,222)	-0.5%	(\$41,553)	-0.8%	(\$1,826,463)	-31.7%
Capital Contributions										
Capital contributions	\$288,158	5.6%	\$488,796	8.9%	\$457,532	8.1%	\$486,116	8.9%	\$698,398	12.1%
Total Contributions and Transfers	\$288,158	5.6%	\$488,796	8.9%	\$457,532	8.1%	\$486,116	8.9%	\$698,398	12.1%
Change in net position	(\$1,284,261)	-25.0%	\$254,774	4.6%	\$431,310	7.7%	\$444,563	8.2%	(\$1,128,065)	-19.6%
Fund Balance, Beginning of Year	\$68,866,954		\$67,582,693		\$67,837,467		\$68,268,777		\$70,373,023	
Fund Balance, End of Year	\$67,582,693		\$67,837,467		\$68,268,777		\$70,373,023		\$69,244,958	

Exhibit #3

<i>Olivenhain Municipal Water District</i>					
Key Indicators	2021	2022	2023	2024	2025
<u>Economy</u>					
Median Household Income (as % of CA Median)	157%	155%	149%	164%	Data Not Available
Unemployment rate (%)	6.4%	3.4%	3.7%	4.3%	4.6%
Full value per capita (\$)	\$412,771	\$427,361	\$460,989	\$487,197	\$512,351
<u>System Characteristics</u>					
Net Fixed Assets (\$000)	\$60,363	\$58,564	\$59,125	\$61,749	\$61,737
Number of system users	7147	7250	7334	7340	7341
Average annual residential charge per unit (\$)	\$63.18	\$63.18	\$65.12	\$67.14	\$70.56
Residential charge as % of MHI	0.05%	0.04%	0.05%	0.04%	
<u>Performance</u>					
Operating Revenue (\$000)	\$5,127	\$5,481	\$5,622	\$5,444	\$5,761
Operating Margin [3]	-12.8%	-10.3%	-2.9%	-13.9%	-21.6%
Fund Balances as % of Operating Revenue	1318.1%	1237.7%	1214.3%	1292.7%	1202.0%
<u>Leverage</u>					
Fund Balances	\$67,583	\$67,837	\$68,269	\$70,373	\$69,245
Leverage Ratio [4]	0.1	0.2	0.2	0.2	0.2

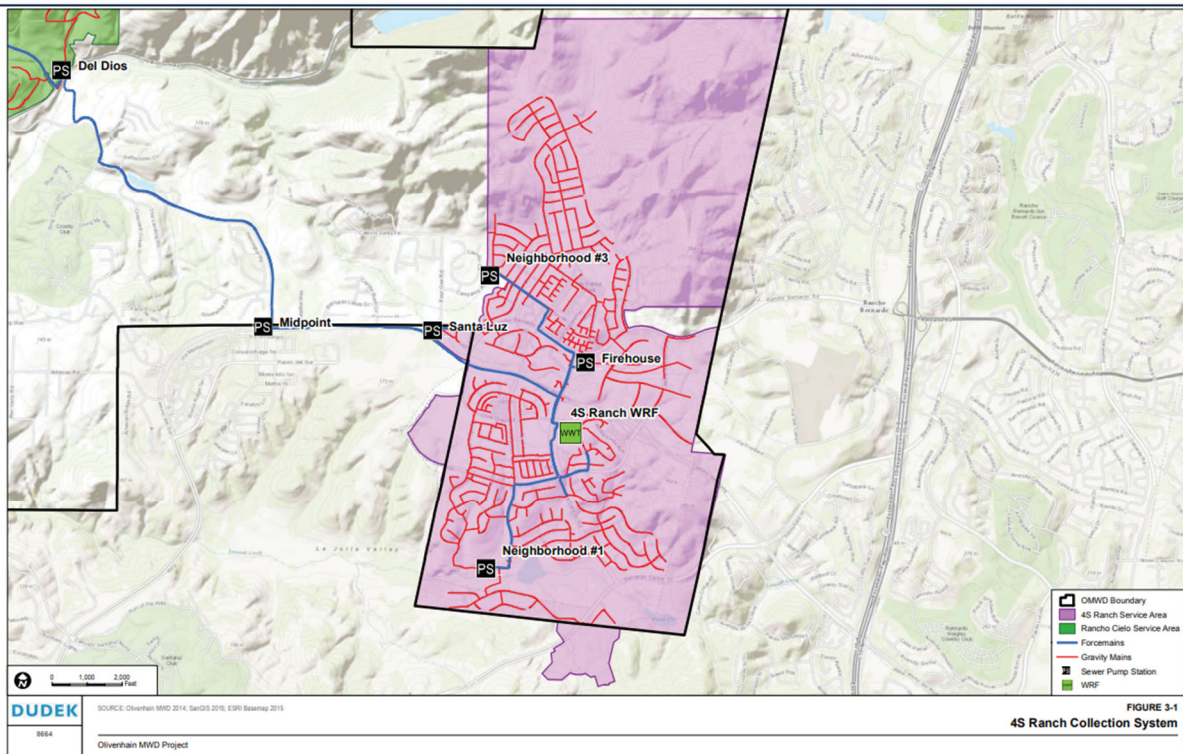
Exhibit #4

OLIVENHAIN MUNICIPAL WATER DISTRICT										
PROJECTED										
For Fiscal Year Ending (FYE) June 30	2025		2026		2027		2028		2029	
	Annual Comprehensive Financial Report (ACFR)	%	Projections	%	Projections	%	Projections	%	Projections	%
Source:										
% Change		N/A		0.10378236		0.034545		0.0693318		0.0530303
Operating Revenue										
Sewer Charges	\$5,760,887	100.0%	\$6,428,000	100.0%	\$6,658,000	100.0%	7,154,000	100.0%	\$7,554,624	100.0%
Total Operating Revenues	\$5,760,887	100.0%	\$6,428,000	100.0%	\$6,658,000	100.0%	\$7,154,000	100.0%	\$7,554,624	100.0%
Operating Expenses										
Sewer collection and treatment	2,361,678	41.0%	2,334,373	36.3%	2,460,298	37.0%	2,537,546	35.5%	2,639,834	34.9%
Facilities maintenance	\$102,222	1.8%	101,040	1.6%	106,491	1.6%	109,834	1.5%	114,262	1.5%
General and administrative	\$1,999,707	34.7%	1,976,587	30.7%	2,083,212	31.3%	2,148,620	30.0%	2,235,231	29.6%
Depreciation and amortization	\$2,542,981	44.1%	\$2,631,985	40.9%	\$2,724,105	40.9%	\$2,819,448	39.4%	\$2,918,129.00	38.6%
Total Operating Expenses	\$7,006,588	121.6%	\$7,043,985	109.6%	\$7,374,106	110.8%	\$7,615,448	106.5%	\$7,907,456	104.7%
Operating income (loss)	(\$1,245,701)	-21.6%	(\$615,985)	-9.6%	(\$716,106)	-10.8%	(\$461,448)	-6.5%	(\$352,832)	-4.7%
Nonoperating Revenues (Expenses)										
Fair Market value adjustment	\$198,995	3.5%								
Investment income	\$491,138	8.5%	\$266,000	4.1%	\$548,000	8.2%	\$446,000	6.2%	\$281,000	3.7%
Capacity charges	\$4,070	0.1%								
Interest expense, net	(\$166,780)	-2.9%	(\$109,417)	-1.7%	(\$285,234)	-4.3%	(\$358,104)	-5.0%	(\$336,648)	-4.5%
Other nonoperating expenses	(\$1,108,185)	-19.2%								
Total nonoperating revenues (expenses)	(\$580,762)	-10.1%	\$156,583	2.4%	\$262,766	3.9%	\$87,896	1.2%	-\$55,648	-0.7%
Income (loss) before capital contributions	(\$1,826,463)	-31.7%	(\$772,568)	-12.0%	(\$978,872)	-14.7%	(\$549,344)	-7.7%	(\$297,184)	-3.9%
Capital Contributions	\$698,398	12.1%	\$487,405	7.6%	\$487,170	7.3%	\$487,293	6.8%	\$0	0.0%
Total Contributions	\$698,398	12.1%	\$487,405	7.6%	\$487,170	7.3%	\$487,293	6.8%	\$0	0.0%
Change in net position	(\$1,128,065)	-19.6%	(\$285,163)	-4.4%	(\$491,702)	-7.4%	(\$62,051)	-0.9%	(\$297,184)	-3.9%
Fund Balance, Beginning of Year	\$70,373,023		\$69,244,958		\$68,959,795		\$68,468,093		\$68,406,042	
Fund Balance, End of Year	\$69,244,958		\$68,959,795		\$68,468,093		\$68,406,042		\$68,108,858	

Exhibit #5

Project Service Area

WASTEWATER MASTER PLAN UPDATE



District Service Area

