

Lab Building and Corp Yard Projects: Financing Overview



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Municipal Advisory | Financial Planning | Pension Optimization

**Las Gallinas Valley
Sanitary District**



Lab Building / Corp Yard Projects



Preliminary Financing Plan

- Project Budget:
 - Lab Building (Phase 3): ≈ \$18.4 million
 - Corp Yard: ≈ \$ 6.0 million
 - **TOTAL:** ≈ **\$24.6 million**

- Debt Financing: ≈ \$25 million (incl. COI & Contingency)
- District Funding: ≈ \$1.4 million (design + Phases 1 & 2 of Lab Building) + potential cost overruns

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
 - District's 2017 bonds were rated "AAA" by S&P Global
- **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
- Typical financial covenants:
 - Rate Covenant: Set rates to ensure debt service coverage ratio of no less than 1.25x
 - District's FYE 2024 actual coverage ratio was 2.33x
 - Additional Debt Test: Additional debt is allowed, as long as Rate Covenant is maintained

Methods of Sale



- Three possible ways to finance projects
 - **Public Sale** (municipal bonds / certificates of participation)
 - **Private Placement** (bank loan)
 - **Government Loan** (SRF or iBank)
- Choice of method of sale is usually based on:
 - Interest rate environment
 - Desired terms
 - Ease of execution and compliance
 - Prepayment flexibility
 - Time to close

Public Sale vs Private Placement



	Public Sale (Bond Sale)	Private Placement (Bank Loan)
Credit Rating & Official Statement	Required	Not Required
Due Diligence	Counsel, Rating Agency	Bank
Time to Close	3+ Months	2+ Months
District Involvement Level	High	Moderate
Collateral Structure	Net Revenue Pledge	Net Revenue Pledge
Pricing	Lower Rate; Higher COI	Higher Rate; Lower COI
Term	30 years	Up to 20 years
Interest Rate Lock	At pricing	Up to 30-45 days
Prepayment Flexibility	Limited (10-year call)	Various Options
Continuing Disclosure	Strict	More Flexible

Lab Building & Corp Yard Financing Strategy



- **Immediate Priority:** Combine both projects into one financing – simpler and cheaper
 - Financing Amount: **up to ≈ \$25,000,000**
 - Financing Term: **30 years**
 - Prepayment Flexibility: **not a high priority**
 - Time to Close: **late February 2026**
- **Public Sale** is most appropriate
 - Credit Structure: Net Revenue Pledge
 - Competitive or Negotiated Bond Sale – to be determined once new credit rating is received
 - Official Statement and financing documents will be brought to Board for approval
 - Bonds issued through **Marin Public Financing Authority**

Finance Team Members & Responsibilities



- **Ridgeline Municipal Strategies, LLC – Municipal Advisor**
 - Fiduciary to District
 - Assure that fiscal and policy interests are protected
 - Manage financing transaction on behalf of District
- **Stradling Yocca Carlson & Rauth – Bond & Disclosure Counsel**
 - Attorney to District
 - Prepare Official Statement (disclosure document / “bond prospectus”)
 - Prepare all legal documentation; assure bonds are “valid and legally binding obligations”
 - Prepares tax opinion
- **Underwriter – Needed for Negotiated Sale (TBD)**
 - FINRA member and Broker-Dealer; acting as independent agent
 - Market bonds and source capital

Next Steps



- **Today:**
 - Authorize financing amount for Lab Building and Corp Yard projects
 - Approve reimbursement resolution
 - Approve bond and disclosure counsel agreement (Stradling)
- **December 2025:**
 - finalize audit
 - prepare preliminary official statement
 - obtain credit rating & decide on competitive vs negotiated sale
- **February 2025:** close the financing

Questions?



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