Wastewater Treatment

Recycled Water

Energy Production

Biosolids Reuse

Delta Diablo

TRANSFORMING WASTEWATER TO RESOURCES

2026 Wastewater Revenue Certificates of Participation

Board of Directors Meeting

September 9, 2026

Bond Financing Key Milestones

Delta Diablo

July — Conduct SEC Training for Board Members and Draft Legal Documents

- Conduct required training for Board, staff (Disclosure Counsel)
- Prepare Legal Documents (Bond Counsel)
- Review Legal Documents

Aug — Develop Preliminary Official Statement (POS) and Credit Rating Presentation

- Prepare POS (Disclosure Counsel, District staff, Municipal Advisor, and Underwriter)
- Prepare Rating Presentation (Municipal Advisor)
- Meet with Rating Agency

Sep — Approve Financing Documents, Authorize Bond Sale, and Price Bonds

- Receive **credit rating**
- Conduct Board meeting to **authorize bond sale**, approve financing documents, approve hiring of financing team
- Conduct due diligence call
- **Post POS**
- **Price and Sell bonds** (Certificates of Participation)

Oct — Closing

- Pre-Closing (signing of documents)
- Closing and receipt of bond proceeds

Secondary Process Improvements Phase 1 Project

Bond Financing

- Used to finance a portion of the $210M Secondary Process Improvements Phase 1 Project (2026 Project)
  - Address aging infrastructure, expand treatment capacity for future growth, and meet nutrient removal regulatory requirements
- Two planned debt issuances to support 2026 Project
  - 2026 Certificates of Participation (Certificates) - **$62.4M**
  - FY2030 Certificates ~ **$16.9M**
- Remaining project costs funded primarily with cash reserves plus additional SSC revenues
- Significant debt service capacity remaining after certificate issuances

District Credit Rating

- S&P assigned a strong AA+ rating with a stable outlook, reflecting:
  - Strong customer base in our service area
  - Affordable sewer service charge rates for our area
  - Robust debt service coverage, liquidity, and reserves
  - Moderate debt utilization - only 26% of capital improvement program funding with debt
  - Healthy management practices, including multiyear rate planning, customer outreach efforts, and strategic planning activities
  - Established financial management policies and practices related to debt, investments, and fund reserves

- Strong credit quality supports lower borrowing costs, preserving financial flexibility for future needs

Current Municipal Market Conditions

- 30-Year Municipal Market Data - 4.70% as of Sept 3, 2026
  - Representative of current interest rates for long-term, tax-exempt borrowing by highly rated public agencies
  - Recent market volatility exerting upward pressure on rates
  - Tax-exempt municipal rates remain below the comparable 30-Year U.S. Treasury rate of 5.25%
- Market conditions influenced by Federal Reserve policy, inflation data, and geopolitical developments
- September 15/16 Federal Open Market Committee (FOMC) meeting is the next key market event
  - Certificate issuance planned after FOMC meeting to account for any actions taken or indicated by FOMC

2026 Certificates Expected Financing Terms

- Certificate issuance planned for week of Sept 21, 2026
  - Principal amount: $62.4 million
  - Estimated true interest cost: **4.60%**
    - Based on good faith estimates and market conditions as of August 11, 2026
  - Project proceeds: **$65.0 million**
- 30-year term with final maturity on Oct 1, 2056
  - Optional redemption: October 1, 2036 at 100%
    - Earliest opportunity for District to refinance 2026 Certificates
- Total debt service: approximately $121.9 million
  - Average annual debt service: approximately **$4.1 million**
- Issue up to $75 million with a true interest cost not to exceed 5.25%

2026 Certificates Financing Documents

- District and Delta Diablo Integrated Financing Corporation (Corporation) are required to be parties to multiple agreements to facilitate the preparation, sale, execution, and delivery of 2026 Certificates
- District will enter into:
  - Installment Purchase Agreement - Obligates District to make installment payments applied to debt service of 2026 Certificates
  - Trust Agreement – Defines terms and conditions for execution, delivery and payment of 2026 Certificates
  - Certificate of Purchase Agreement – Obligates underwriter to underwrite 2026 Certificates according to agreement terms
  - Continuing Disclosure Agreement – Obligates District to provide annual updates of financial/operating data to municipal markets
- District will circulate final Official Statement to investors

Recommended Action

- **Adopt** Resolution:
  - **Authorizing** preparation, sale, execution and delivery of Delta Diablo 2026 Wastewater Revenue Certificates of Participation (2026 Certificates) in an amount not to exceed $75 million and subject to certain parameters
  - **Approving** the form of other required Financing Documents in substantially the forms presented
  - **Authorizing** certain designated officers of the District (General Manager/Interim General Manager, Business Services Director, or their designee) to finalize and execute the Financing Documents with the approval of District Counsel and Special Counsel