



STAFF REPORT

DATE: 09/17/2025
TO: Honorable President and Board Members
FROM: Finance Department

2025-343

REQUEST FOR CORONA UTILITY AUTHORITY ACTION

SUBJECT:

CONSIDER ADOPTION OF RESOLUTIONS AND OTHER OFFICIAL ACTIONS AUTHORIZING THE ISSUANCE OF THE CORONA UTILITY AUTHORITY 2025 WATER REVENUE BONDS AND 2025 WASTEWATER REVENUE BONDS

EXECUTIVE SUMMARY:

This staff report asks the Corona Utility Authority to consider adopting resolutions and other official actions authorizing the issuance of the Corona Utility Authority 2025 Water Revenue Bonds and 2025 Wastewater Revenue Bonds.

RECOMMENDED ACTION:

That the Corona Utility Authority Board of Directors:

- a. Adopt Resolution No. 2025-001 authorizing the issuance of the Corona Utility Authority 2025 Water Revenue Bonds in the aggregate principal amount of not to exceed \$45,000,000 in connection with the financing of certain improvements to the water enterprise of the Corona Utility Authority, authorizing and directing execution of an Indenture of Trust, authorizing the sale of the Bonds, approving a purchase contract and an official statement and authorizing official actions and execution of related documents.

- b. Adopt Resolution No. 2025-002 authorizing the issuance of the Corona Utility Authority 2025 Wastewater Revenue Bonds in the aggregate principal amount of not to exceed \$36,000,000 in connection with the financing and refinancing of certain improvements to the wastewater enterprise of the Corona Utility Authority, authorizing and directing execution of an Indenture of Trust and Escrow Deposit and Trust Agreement, authorizing the sale of the Bonds, approving a purchase contract and an official statement and authorizing official actions and execution of related documents.

BACKGROUND & HISTORY:

The Utilities Department (“UD”) completed a rate study analysis of the water and wastewater (sewer) functions that was approved on December 4, 2024, and implemented on January 3, 2025. The current plan includes rate increases through January 2029. As part of the analysis and discussion with the City Council, it was determined that certain capital improvements should be funded through bond issuances for both utility functions.

The 2025 Water Revenue Bonds proceeds will be allocated to finance a portion of the costs of the following Water capital improvement projects: (i) the citywide direct read water meter replacement with advanced metering infrastructure meters; (ii) the construction of the Glen Ivy Water Treatment Plant; (iii) the improvements to the Lester Backwash Basin; (iv) the Hidden Springs Road waterline construction; and (v) the waterline replacement at Sherman Avenue. The total cost of the above-described capital improvements is currently estimated at approximately \$43 million. UD expects to apply Water Enterprise reserves to pay the portion of such costs that are not financed from proceeds of the 2025 Bonds.

The 2025 Wastewater Revenue Bonds proceeds will be allocated to finance a portion of the costs of the following Wastewater capital improvement projects: (i) the construction of the Sierra Del Oro lift station and pipelines; (ii) the improvements to the Water Reclamation Facility #1 digester and electrical equipment; (iii) the improvements to the Water Reclamation Facility #1A primary and blower room motor control centers replacement; (iv) the Water Reclamation Facility #2 generator replacement; (v) the construction of the Water Reclamation Facility #2 primary clarifiers rehabilitation; (vi) the improvements to the Plant 1A secondary clarifier concrete decks; and (vii) the installation of the Water Reclamation Facility #1 compliance flow meter. The total cost of the above-described capital improvements is currently estimated at approximately \$29 million. UD expects to apply Wastewater Enterprise reserves to pay the portion of such costs that are not financed from proceeds of the 2025 Bonds.

ANALYSIS:

The City of Corona, working in cooperation with the Corona Utility Authority (the “Authority”), has prepared the capital improvement plans for the water system (the “Water System”) and wastewater system (the “Wastewater System”). Within the capital improvement plan, it has been determined that portions of the facilities for each of the water and wastewater systems will be financed.

Additionally, the Authority previously issued its 2013 Wastewater Revenue Bonds (the “2013 Bonds”). The proceeds were used to refinance certain improvement projects to the Wastewater System.

The recommended actions and the resolutions (the “Resolutions”) of the Authority will approve the issuance by the Authority of the following:

1. The issuance of its 2025 Water Revenue Bonds (the “Water Bonds”) for the purpose of financing a portion of the capital improvements to the Water System. The aggregate principal amount of the Bonds is not to exceed \$45,000,000; and
2. The issuance of its 2025 Wastewater Revenue Bonds (the “Wastewater Bonds”) for the purpose of financing a portion of the capital improvements relating to the Wastewater System and to refinance the 2013 Bonds, should the savings goals of the City and Authority be achieved. Based on recent market conditions, the refinancing will result in net present value debt service savings for the Authority of approximately \$233,000, which includes financing costs allocable to the refinancing on a pro-rata basis relative to the portion of the Wastewater Bonds attributable to the new improvements. The final savings amount will not be known until the Bonds are priced. The aggregate principal amount of the Wastewater Bonds is not to exceed \$36,000,000.

The Authority has selected Stifel, Nicolaus & Company as the underwriter (the “Underwriter”) for the refunding transaction. Other members of the financing team include CSG Advisors Incorporated as the Authority’s municipal advisor, Best Best & Krieger LLP as bond counsel, and Stradling Yocca Carlson and Rauth as disclosure counsel.

The Resolution for the Water Bonds approves the financing of capital improvements to the Water System, along with the form of the following documents:

1. Indenture of Trust, by and between the Authority and The Bank of New York Mellon Trust Company, N.A. as trustee, under which the Water Bonds will be issued by the Authority;
2. Purchase Contract pursuant to which the Underwriter agrees to purchase the Water Bonds;
3. The Continuing Disclosure Certificate, which obligates the Authority to provide annual continuing disclosure to the marketplace; and
4. The Preliminary Official Statement, under which relevant information about the Water Bonds, the Authority, and the Water System is disclosed to potential investors.

The Resolution for the Wastewater Bonds approves the financing of capital improvements to the Wastewater System and the refinancing of the 2013 Bonds, along with the form of the following documents:

1. Indenture of Trust, by and between the Authority and The Bank of New York Mellon Trust Company, N.A. as trustee, under which the Wastewater Bonds will be issued by the Authority;
2. Purchase Contract pursuant to which the Underwriter agrees to purchase the Wastewater Bonds;
3. Escrow Deposit and Trust Agreement, which provides instruction to the Trustee to refund the 2013 Bonds;
4. The Continuing Disclosure Certificate, which obligates the Authority to provide annual continuing disclosure to the marketplace; and
5. The Preliminary Official Statement, under which relevant information about the Wastewater Bonds, the Authority, and the Wastewater System is disclosed to potential investors.

Each resolution also authorizes staff to take all necessary actions to bring the financings to a successful conclusion, including the provision of bond insurance. Bond insurance would only be purchased if the debt service savings attributable to such insurance exceeds the costs. Staff delivered a presentation to Standard & Poor's on Monday, September 8, 2025, as part of the process to obtain a credit rating for the Water and Wastewater bonds. The Authority is anticipated to receive ratings from Standard & Poor's as soon as the same week as this City Council meeting. Assuming favorable market conditions, the Water Bonds and Wastewater Bonds are expected to be sold around the week of September 22, 2025, and delivered the week of October 6, 2025. All documents will be on file after execution at the Secretary's Office.

FINANCIAL IMPACT:

Water Bonds

All project and financing costs will be paid through the issuance of the Water Bonds. Payment of principal of and interest on Water Bonds is secured and payable from Water System revenues. The estimated principal amount of the Water Bonds will not exceed \$45,000,000. The following is an estimated breakdown of the project and financing costs:

Project Fund	\$42,990,000
Costs of Issuance	\$461,000
<hr/> Total Estimate	<hr/> \$43,451,000

The costs of issuance is approximately \$461,000. These costs include professional service fees for bond counsel, disclosure counsel, municipal advisor, rating agency, verification agent, as well as the underwriter's discount and other minor fees. The amount listed is an estimate and actual costs will be determined when the Water Bonds are delivered.

Wastewater Bonds

All project and financing costs will be paid through the issuance of the Wastewater Bonds. Payment of principal of and interest on the Wastewater Bonds is secured and payable from Wastewater System revenues. The estimated principal amount of Wastewater Bonds will not exceed \$36,000,000. The following is an estimated breakdown of the project and financing costs:

Refunding the 2013 Bonds	\$5,394,000
Project Fund	\$28,362,000
Costs of Issuance	\$412,000
<hr/> Total Estimate	<hr/> \$34,168,000

Based on recent market conditions, annual debt service savings accruing to the Wastewater System operational budget are estimated to average \$44,400 per year through 2031. Recent municipal market conditions have been volatile. The final savings amount will not be known until the Wastewater Bonds are priced.

The cost of issuance is approximately \$412,000. These costs include professional service fees for bond counsel, disclosure counsel, municipal advisor, rating agency, verification agent, as well as the underwriter’s discount and other minor fees. The amount listed is an estimate and actual costs will be determined when the Wastewater Bonds are delivered. The costs of issuance are included in the refinancing total and are part of the total savings analysis.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action would approve a resolution and other official actions related to the issuance of Water Revenue Bonds and Wastewater Revenue Bonds, and there is no possibility that adopting these resolutions will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: ERMA MONTANO, SENIOR FINANCIAL ANALYST

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR

ATTACHMENTS:

1. Exhibit 1 – Resolution No. 2025-001
2. Exhibit 2 – Water Revenue Bonds - Indenture of Trust
3. Exhibit 3 – Water Revenue Bonds – Preliminary Official Statement
4. Exhibit 4 – Water Revenue Bonds – Purchase Contract
5. Exhibit 5 – Water Revenue Bonds – Agency Agreement
6. Exhibit 6 – Resolution No. 2025-002
7. Exhibit 7 – Wastewater Revenue Bonds - Indenture of Trust
8. Exhibit 8 – Wastewater Revenue Bonds – Preliminary Official Statement
9. Exhibit 9 – Wastewater Revenue Bonds – Purchase Contract
10. Exhibit 10 - Wastewater Revenue Bonds – Escrow Deposit and Trust Agreement
11. Exhibit 11 – Wastewater Revenue Bonds – Agency Agreement