



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 4/28/2026

To: Board of Directors, Sonoma County Water Agency

Department or Agency Name(s): Sonoma County Water Agency

Staff Name and Phone Number: Grant Davis 707-547-1900, Jake Spaulding 707-524-8373

Vote Requirement: 4/5th

Supervisory District(s): All

Title:

10:15 A.M. Water Revenue Bonds, 2026 Series A

Recommended Action:

- A) Hold a noticed public hearing and adopt an Amended and Restated Ordinance ("Amended and Restated Ordinance") in order to amend and restate the original ordinance to consolidate all prior amendments and make certain additional amendments to the Original Ordinance, and to declare the terms and conditions upon and subject to which revenue bonds may be authorized and issued.
- B) Hold a noticed public hearing and adopt a Twelfth Supplemental Ordinance authorizing issuance of 2026 Revenue Bonds in an initial aggregate principal amount not to exceed \$55,000,000 to finance and refinance certain water system improvements.
- C) Adopt a Bond Resolution approving a preliminary official statement and authorizing a final official statement; authorizing the sale of bonds through competitive or negotiated sale; authorizing execution of a continuing disclosure agreement; authorizing the refinancing of prior bonds; authorizing, if appropriate, acquisition of a bond insurance policy; and authorizing certain designated officers to do all other steps deemed necessary or advisable to carry out transactions contemplated by the Twelfth Supplemental Ordinance.
(4/5th Vote Required)

Executive Summary:

Approval of this item would authorize the Sonoma County Water Agency ("Sonoma Water") to issue up to \$55,000,000 of tax-exempt revenue bonds (2026 Revenue Bonds) to refund the outstanding 2015 Series A Bonds for present value savings of \$214,000 and to finance facilities and improvements to increase the reliability and capacity of Sonoma Water's water transmission system.

Staff is also recommending to amended and restate the Ordinance prepared in order to consolidate all prior amendments and make certain additional amendments to the ordinance authorizing bond issuance.

Discussion:

Sonoma Water is currently authorized to issue its revenue bonds under Sonoma Water's enabling statute, the Sonoma County Flood Control and Water Conservation District Act ("Agency Act"), under which the Board of Directors originally adopted Ordinance No. 1 authorizing the issuance of bonds in 1970. The ordinance was last consolidated by Ordinance No. 38, the Sixth Supplemental Ordinance, adopted in 2002.

In subsequent years the ordinance has been amended in connection with the issuance of individual series of bonds as well as to make certain substantive changes. The attached Amended and Restated Ordinance has been prepared in order to consolidate all prior amendments and make certain additional amendments to the ordinance. As required by the Agency Act, the Board will hold a noticed public hearing prior to considering the Amended and Restated Ordinance.

On October 6, 2015, the Board of Directors of Sonoma Water authorized the sale of \$35,000,000 of Water Revenue Bonds, 2015 Series A to refinance all then-outstanding previously issued Water Revenue Bonds. Sonoma Water is able to achieve further present value debt service savings of approximately \$214,000 by using a portion of the 2026 Revenue Bonds to refund the 2015 Series A Bonds. This “refinancing” will allow Sonoma Water to pay a lower interest rate on the remaining 2015 Series A bond debt and generate annual cash flow savings and total present value savings.

Sonoma Water proposes to use the remaining proceeds of the 2026 Revenue Bonds to pay for the capital costs of planned water transmission system facilities. By its action on February 3, 2026, in order to comply with United States Income Tax Regulations, the Board adopted a reimbursement resolution declaring its intent to use a portion of the 2026 Revenue Bond proceeds to reimburse expenditures made by Sonoma Water for water transmission system facilities for a certain period before the date of issuance of the bonds.

The facilities and improvements to be financed with the 2026 Revenue Bonds will increase the reliability and capacity of Sonoma Water’s water transmission system including, but not limited to, the following projects: Bennett Valley Fault Crossing, Central Reliability Booster Pump Station, Seismic Mitigation projects on collector wells, Cotati Intertie Vulnerability project, Cotati-Kastania Pipeline improvements, Demuth Wohler Storage Building, Ely BPS Flood Control and Electrical Upgrade, Emergency Wells, Kawana-Ralphine-SBS Pipeline projects (Phases 1 and 2), Mirabel 12kV Multi-hazard Resiliency, Mirabel Collector Wells Pump Hoist Upgrades, Mirabel Storage Yard Maintenance and Storage Building, Petaluma Aqueduct - Santa Rosa Creek Crossing, Petaluma Aqueduct Improvements and Replacement, Petaluma River Crossing, Ralphine Tanks Flow Management and Seismic Retrofit, Russian River Diversion Structure Upgrade, Russian River Wellfield Upgrade, Santa Rosa Aqueduct Improvements and Replacement, Santa Rosa Creek Crossing, Santa Rosa Plain Wells Drought Resiliency, Seismic Retrofit of Storage Tanks, Sonoma Aqueduct Improvements and Replacement, Sonoma Creek Crossings Projects, Todd Road Well Discharge Connection, Warm Springs Dam Hydroturbine Retrofit, Water Production Facility (Mirabel/Wohler Wells), Water Treatment System Modernization - Phases 1, 2, and 3, and any other projects set forth in Sonoma Water’s Water Transmission Long Range Financial Plan, together with amounts needed to pay costs of issuing the bonds.

The 2026 Revenue Bonds would be repaid from net revenues from Sonoma Water’s water transmission system. The issuance of 2026 Revenue Bonds for these purposes is authorized by the Agency Act, the Amended and Restated Ordinance (as amended by today’s action) and the Restructured Agreement for Water Supply among Sonoma Water and its eight prime water contractors.

As required by the Agency Act, the Board will hold a noticed public hearing prior to considering the Twelfth Supplemental Ordinance.

Sonoma Water and KNN Public Finance have been monitoring interest rates and currently estimate that the 2026 Revenue Bonds will have a true interest cost (including cost of issuance) of approximately 3.98%

assuming the issuance will obtain a credit rating of “AAA” from Standard and Poor’s, which is the current rating on the 2022 Revenue Bonds. Sonoma Water is planning to solicit a credit rating from Standard and Poor’s for this transaction. The refunding portion of the 2026 Bonds is structured to achieve level cash flow savings against the existing net payments of the 2015 Bonds, with a final maturity in FY2039-40. We anticipate refunding approximately \$15,900,000, with interest rates ranging from 2.3% to 5.2%. The bonds funding new projects are currently structured to have a 25-year amortization, with level fiscal year annual debt service of approximately \$2,225,000 starting with FY2029-30 through FY2051-52, after a period of two years with no principal amortization.

Sonoma Water and KNN Public Finance, LLC are continuously evaluating the benefits of a competitive versus negotiated sale. For a competitive sale, Sonoma Water and KNN Public Finance, LLC would structure the bond offering. Underwriters would review the offering, determine how much interest they need to pay in order to resell the bonds to investors, and submit a competitive bid on the offering. In a negotiated sale, in lieu of multiple underwriting groups competitively bidding on the offering, Sonoma Water would select an underwriter before the sale date, and the selected underwriter would assist in structuring the bond offering. Negotiated sales allow for greater flexibility when the offering is released so that it can be better timed in the market to get the best rate. Competitive sales may result in a lower interest rate for the offering through the competitive bidding process. Based on current market conditions, Sonoma Water and KNN Public Finance, LLC expect to offer the 2026 Revenue Bonds by competitive sale.

Sonoma Water’s Bond Counsel and Disclosure Counsel firm, Jones Hall, have prepared the necessary legal and disclosure documents for the issuance of the 2026 Revenue Bonds and the offering and sale of the 2026 Revenue Bonds to investors, which include: a Preliminary Official Statement; an Official Notice of Sale; a Bond Purchase Agreement in the event that Sonoma Water elects to proceed with a negotiated sale; a Continuing Disclosure Agreement (attached as an appendix to the Preliminary Official Statement); and Irrevocable Refunding Instructions in order to carry out the refunding of the 2015 Series A Bonds. (These documents are on file with the Clerk of the Board.) These are approved as to form and will be updated based on the structure of the offering and the final interest rates and debt service schedules for the 2026 Revenue Bonds as a result of the bond pricing, which is anticipated to occur the week of May 11, 2026.

The distribution of the Preliminary Official Statement by Sonoma Water is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the 2026 Revenue Bonds. Information is considered “material” if there is a substantial likelihood that it would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the 2026 Revenue Bonds. If the Board concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the 2026 Revenue Bonds, the attached Bond Resolution authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been “deemed final.”

The Securities and Exchange Commission (“SEC”), the agency with regulatory authority over Sonoma Water’s compliance with the federal securities laws, has issued guidance as to the duties of the Board with respect to its approval of the Preliminary Official Statement. In its “Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors” (Release No. 36761 / January 24, 1996) (the “Release”), the SEC indicated that, if a member of the Board has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the 2026 Revenue

Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC indicated that the steps that a member of the Board could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

The attached Bond Resolution evidences the approval by the Board of the financing documents and the issuance of the 2026 Revenue Bonds, subject to the following parameters: the principal amount of the 2026 Revenue Bonds may not exceed \$55,000,000, the true interest cost of the 2026 Revenue Bonds may not exceed 6.0%, and the refunding of the 2015 Series A Bonds must generate positive net present value savings.

Sonoma Water proposes to carry out the bond issuance now in order to take advantage of the current low-interest rate environment to secure low-cost funding for planned water transmission system facilities. The actual total interest cost will be determined by the municipal bond market at the time of sale.

Sonoma Water and KNN Public Finance, LLC met with the Sonoma County Debt Advisory Committee on March 12, 2026, to present the bond offering proposal and to recommend that the Board adopt the Amended and Restated Ordinance, the Twelfth Supplemental Ordinance and Bond Resolution authorizing issuance of the 2026 Revenue Bonds. The Committee approved these actions.

County of Sonoma Strategic Plan:

N/A

Sonoma Water Strategic Plan Alignment

This item directly supports Sonoma Water’s Strategic Plan and is aligned with the following goal, strategy, and action item.

Goal: 2. Planning and Infrastructure - Implement comprehensive, integrated, and innovative infrastructure planning to strengthen existing services, minimize life cycle costs, and prepare for the future.

Strategy: 2.3 Fund and implement the planned capital and maintenance projects on schedule to ensure reliable services.

Action Item: 2.3.2 Fund Capital Improvement Program budgets to meet infrastructure needs.

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

02-03-2026: Resolution 2026-0064 of the Board of Directors of the Sonoma County Water Agency declaring the official intent of the Sonoma County Water Agency to reimburse certain expenditures from proceeds of 2026 revenue bonds.

FISCAL SUMMARY

Expenditures	FY25-26 Adopted	FY26-27 Projected	FY27-28 Projected
Budgeted Expenses	\$511,875		
Additional Appropriation Requested			
Total Expenditures	\$511,875		
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$511,875		
Use of Fund Balance			
General Fund Contingencies			
Total Sources	\$511,875		

Narrative Explanation of Fiscal Impacts:

Costs associated with issuing the 2026 Revenue Bonds (including legal and consultant fees, trustee fees, and printing costs) are estimated at approximately \$511,875 and will be payable from 2026 Revenue Bond proceeds. Principal and interest estimated totaling \$71,349,187 beginning in FY 2026-27 through FY 2051-52 will be paid from the net revenues of the Water Transmission System which are funded by water rates. The payments will be based on bond amortization schedules and will be amortized over the life of the bonds. Payment of debt service will be made on a parity basis with Sonoma Water’s outstanding 2022 revenue bonds, 2019 revenue bonds and 2002 State revolving fund loan.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

- Attachment 1 - Amended and Restated Ordinance
- Attachment 2 - Twelfth Supplemental Ordinance
- Attachment 3 - Bond Resolution R1
- PowerPoint Presentation

Related Items “On File” with the Clerk of the Board:

1. Preliminary Official Statement with Continuing Disclosure Agreement

Agenda Date: 4/28/2026

2. Official Notice of Sale
3. Bond Purchase Agreement
4. Escrow Agreement
5. Long Range Financial Plan