SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-D**

FROM: Steve Mack, General Manager

Meeting Date: September 4, 2014

SUBJECT: USDA BOND REFINANCING ISSUES

RECOMMENDED ACTION: Receive a report on the status of the United States Department of Agriculture (USDA) bond refinancing issues and provide direction to staff and conceptually approved the proposed USDA solution.

FISCAL IMPACT: Unknown

DISCUSSION:

We have heard from Anita Lopez of USDA regarding their (USDA) proposed resolution of the refinancing issue that they first identified to us in February. Their proposal is to refinance the Series 2003 bonds remainder for 40 years at 2.375%. Compared to the refinancing that we thought went into effect a year ago, the USDA proposal would reduce our annual payments by approximately $8,000 per year in the first 20 years, substantially reduce our payments for the next 9 years – remember that those were the bonds that were not called – but add 11 years to the total payment period. Their proposal saves the District approximately $900,000 over the life of the total repayment period which adds to the savings we have already accrued with our initial refinancing (approximately $925,000). The proposed solution includes deferring the FY2014-2015 payment – we would skip this fiscal year and the next payment would be in August 2015. This is a good resolution of this situation.

The next steps are not clear to me at the time of writing this report. We have communicated with USDA that at a staff level we thank them for the proposed solution and that this is being present to the District Board at this meeting. We have questions into USDA about what happens next. The first step is getting Board approval of the proposed resolution and I recommend its approval. I will continue to communicate with USDA to find out what we need to do next.