SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: November 6, 2014

SUBJECT: DISCUSSION/ACTION RE RESOLUTION 14-22 WHICH APPROVES A BOND REISSUANCE WITH THE U.S. DEPARTMENT OF AGRICULTURE (USDA)

RECOMMENDED ACTION: Approve Resolution 14-22 which authorizes reissuance of the remainder of the 2003 Series Bonds with the U.S. Department of Agriculture (USDA) for a term of 40 years at an interest rate of 2.375%.

FISCAL IMPACT: Approximately $900,000 savings over the life of the repayment; $8,000 annual savings in first 19 years (identical to Rescheduling Agreement approved at the October meeting).

DISCUSSION:

At the October meeting the Board approved Resolution 14-18 which authorized execution of a Rescheduling Agreement (Agreement) with the USDA for the 2003 Series Bonds along with a Side Letter that clarifies standard language in the Agreement objectionable to the District. The Rescheduling Agreement was a resolution to the refinancing misunderstanding of last year and was proposed by the USDA. The Agreement reschedules the payments for the Series 2003 bonds remainder for 40 years at 2.375%, in effect, refinancing the remaining bonds. Compared to the refinancing that we thought went into effect a year ago, the USDA proposal would reduce the District's annual payments by approximately $8,000 per year in the first 20 years, substantially reduce the payments for the next 9 years – the approximately $1.6 million in bonds that were not called – but add 11 years to the total payment period. The Agreement saves the District approximately $900,000 over the life of the total repayment period which adds to the savings already accrued with the initial refinancing (approximately $925,000). This is a good resolution of this situation and the Agreement and Side Letter were executed shortly after the October meeting.

Bond Counsel working for the District, Sam Sperry, recommended that the District execute the Agreement and Side Letter, but also recommended revising the existing bond and reissuing it through USDA, and he agreed to do the work for this at no cost to the District. He has developed the necessary documents for this and recommends their approval through approval of attached Resolution 14-22. This is the longer term solution to the misunderstanding and solves the awkwardness of some of the language

in the Agreement/Side Letter solution recently executed. The terms of the reissued bond and the long-term savings to the District are identical to what was agreed to in the Agreement.

At the time of this report preparation the resolution and supporting documents are not available for distribution. We will forward these documents when available.