SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: May 1, 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.

FISCAL IMPACT: Small, if any

DISCUSSION:

In March the District was informed that USDA had issues with the partial refunding of USDA bonds that was executed in September 2013 by the District with concurrence of USDA staff involved at the time. The main issue appears to be that the USDA accounting or payment system cannot accept interest only payments which is how the partial refunding was done. The partial refunding was necessary because the private placement bond had a maximum of 20 years; USDA bonds outstanding after that were left in place and interest only for the period of time that principal was due was included in the refinancing. Apparently, that is now unacceptable to USDA.

After an exchange of letters and emails, we have learned that USDA staff have been directed to fix this situation in a way that best suits all parties. The District's placement agent, Brandis Tallman, has presented a proposal to USDA that would have the District paying $1,000 in principal annually for the next 19 years until the full principal amounts on the bonds are required. This would have a minor impact on District finances and would actually have a net present value benefit to the District in terms of the later principal and interest payments being reduced. We understand that USDA staff are considering this proposal and we expect to hear back prior to the May 1 meeting.