



Agenda Date: 1/10/2018

Agenda Placement: 8A

Napa Sanitation District Board Agenda Letter

TO: Honorable Board of Directors

FROM: Jeff Tucker - Director of Administrative Services/CFO
NS-Administration

REPORT BY: Jeff Tucker, Director of Administrative Services/CFO - 707-258-6000

SUBJECT: Update Board on the Issuance of 2017 Refunding Bonds (Refunding the 2009B COPs)

RECOMMENDATION

Receive presentation from staff on the issuance of 2017 Refunding Revenue Bonds.

EXECUTIVE SUMMARY

On December 6, 2017 the Board of Directors authorized staff to issue new 2017A Refunding Revenue Bonds. These bonds would refinance the 2009B Certificates of Participation. These bonds had an outstanding balance of \$17,520,000, are were eligible to be "called" (refinanced) in August 2019.

The Board authorized the advance refunding of the 2009B COPs under the condition that the debt issue par amount not exceed \$17 million, that the amount not exceed the amount necessary to refund the COPs, and that the Net Present Value Savings from the transaction result in a savings to NapaSan of at least 3% of the refunded bonds. On December 6, staff and KNN Public Finance, NapaSan's Financial Advisors, estimated that True Interest Cost (TIC) would be 1.83%, with a Net PV Savings of 6.37%.

On December 7, 2017, NapaSan received its rating from Standard and Poor's. The 2017 Refunding Revenue Bonds were rated AA with a "positive outlook." This was an improvement over the 2016 annual review, where S&P increased NapaSan's rating from AA- to AA with a "stable outlook." S&P also improved the rating for the existing 2012A COPs to the same AA/Positive Outlook rating. S&P provided several reasons for the increased rating in 2016 and the increased outlook in 2017, including the 5-year planned sewer rate increases prior to the issuance of new debt, affordable sewer rates, a very strong operational management assessment, NapaSan's comprehensive asset management practices, and well-defined financial management practices and policies.

On December 11, 2017, NapaSan and its underwriter Raymond James offered and accepted pricing for the Refunding Revenue Bonds. The deal resulted in NapaSan issuing \$14,185,000 in bonds (Bond Par Amount), with

bond premium of \$2,071,429. The TIC was 1.75%, with a Net PV Savings (including all costs of issuance) of \$1,168,602.20 (or \$1,268,864.83 in actual dollar savings). Average annual debt service savings is about \$135,000, with the term of the outstanding debt shorted by 1 year. This savings represents 6.67% of the refunded bonds.

The bond sale closed successfully on December 27, 2017.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

None.

SUPPORTING DOCUMENTS

- A . Presentation
- B . S&P Ratings Report

Napa Sanitation District: Approve

Reviewed By: Jeff Tucker