



Agenda Date: 12/6/2017
Agenda Placement: 8B

Napa Sanitation District Board Agenda Letter

TO: Honorable Board of Directors

FROM: Timothy Healy - General Manager
NS-Administration

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

SUBJECT: Approve Resolution Authorizing the Issuance of Refunding Revenue Bonds and Approving Certain Documents

RECOMMENDATION

Approve attached resolution authorizing the issuance of not to exceed \$17,000,000 principal amount of 2017 Refunding Revenue Bonds and approving certain documents and authorizing certain actions in connection therewith.

EXECUTIVE SUMMARY

In 2009, NapaSan (through the Napa Sanitation District Financing Corporation) issued Refunding Revenue Certificates of Participation, Series 2009B in the amount of \$26,675,000. These COPs refinanced prior NapaSan debt. The Series 2009B COPs are eligible to be "called" (refinanced) in August 2019.

Based on the current market conditions, NapaSan's Financial Advisors (KNN Public Finance) and staff believe that it would be advantageous to take advantage of current low interest rates. The intention is to issue an Advance Refunding, which is a mechanism that allows for the refinancing of the debt prior to the call date. The timing of the Advance Refunding is important, as there is a current tax reform proposal at the federal level that would effectively eliminate advance refundings for state and local governments, beginning January 1, 2018.

The new 2017A Refunding Revenue Bonds issued by Napa Sanitation District would refinance the existing outstanding principal of the Series 2009B COPs, but would not provide any additional proceeds to the District. The term of the bonds will technically be shortened by one year, to 2028, but will result in lower annual debt service payments. This is possible through the elimination of the debt service reserve requirement in the Series 2009B COPs.

Based on market conditions in late November and expected conditions in December, KNN Public Finance staff

estimates that the All-In True Interest Cost of the new refunding revenue bonds at 1.83%, which would represent a Present Value Savings of \$1,116,384, or 6.37%. The average annual savings to the District would be \$129,168, accounting for all costs of issuance. These numbers could and will change based on the markets on the day of pricing.

It is expected that new Refunding Revenue Bonds will be priced the week of December 11, 2018, with closing by the end of the calendar year. If the pricing of the bonds results in Present Value Savings of less than 3%, the District will not proceed with the refinancing.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Sewer service charge and other revenues are pledged to make debt service payments. This action is intended to reduce the annual debt service payments.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	This action will only proceed if the bond sale results in reduced annual debt service payments, with a net present value savings of at least 3%.
Is the general fund affected?	Yes
Future fiscal impact:	NapaSan will have lower debt service payments through 2028.
Consequences if not approved:	NapaSan will not proceed with the advance refunding of the 2009B COPs.
Additional Information:	None.

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 . Resolution

Napa Sanitation District: Approve

Reviewed By: Timothy Healy