



Agenda Date: 11/8/2012

Agenda Placement: 7C

**NAPA-VALLEJO WASTE  
MANAGEMENT AUTHORITY**

**Napa-Vallejo Waste Management Authority  
Board Agenda Letter**

---

**TO:** Board of Directors  
**FROM:** Luthy, Richard - Executive Director  
Napa-Vallejo Waste Management Authority  
**REPORT BY:** Richard Luthy, Executive Director, Napa-Vallejo Waste Management - 707-299-1314  
**SUBJECT:** Debt Service

---

**RECOMMENDATION**

**DEBT SERVICE**

REQUESTED ACTION: Approval of the following actions related to Debt Service Bond payments:

1. Authorization to call the remaining \$2.22 Million dollars in bonds on February 15, 2013; and
2. Authorization for staff to execute necessary documents and instructions to U.S. Bank to redeem the Bonds; and
3. Budget Transfer NVWM 001 in the amount of \$741,000 increasing Appropriations in the Debt Service Operating Budget in order to fully fund the redemption.

**EXECUTIVE SUMMARY**

The Authority has the option for early redemption of the remaining \$1,140,000 of 2004 Revenue Refunding Bonds by using \$903,000 in funds held in reserve by the bond Trustee and an accelerated payment of approximately \$237,000. The Authority will need to increase appropriations in fiscal year 2012-13 by \$741,000 which will be entirely offset by a decrease in appropriation in fiscal year 2013-14 and the early redemption of the outstanding bonds will result in interest savings of approximately \$58,100 over fiscal years 2012-13 and 2013-14.

In order to effectuate the early redemption, the bond Trustee has requested receipt of the Authority's intent to redeem by December 27, 2012 and an additional \$237,000 wired from the Authority to the Trustee no later than January 15, 2013. Once the additional wire is received, the funds will be combined with the \$903,000 currently held in the reserve fund and will allow the Trustee to transmit the required 30 day Notice of Redemption to the affected bondholders.

This item requests Board approval and authorization for staff to file the required documents and approval of the necessary increase in appropriations to redeem all bonds outstanding on February 15, 2013.

### **FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	The increase in appropriations in 2012-13 will be completely offset by decreased appropriations in 2013-14. A majority of the early redemption payment (\$903,000) will be funded using cash currently held in the Trustee Reserve Fund. Additionally, the early redemption will result in approximately \$58,100 in interest savings over fiscal years 2012-13 and 2013-14.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The increased appropriations in 2012-13 will be completely offset by decreased appropriations in 2013-14. The early redemption will result in approximately \$58,100 in interest savings over fiscal years 2012-13 and 2013-14.
Is the general fund affected?	No
Future fiscal impact:	Appropriations for debt service will decrease in the future fiscal year and a reduction in interest expense will be achieved.
Consequences if not approved:	The Authority would fail to achieve approximately \$58,100 in interest savings over fiscal years 2012-13 and 2013-14.
Additional Information:	

### **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**

The Authority's 2004 Revenue Refunding Bond agreement allows for optional early redemption of bonds maturing on or after February 15, 2010 without incurring bond premiums. In order to exercise the early redemption option, the Authority is required to have sufficient funds on hand with the Trustee and instruct the Trustee to issue a 30 day Notice of Redemption to all affected bondholders.

The Authority currently has \$2,220,000 worth of 2004 Revenue Refunding bonds outstanding. Of the outstanding balance, \$1,080,000 is scheduled to be repaid as part of the February 15, 2013 debt service payment and the remaining balance of \$1,140,000 is to be repaid on February 15, 2014. The Authority currently maintains \$903,000 in a mandatory reserve fund which is held by the bond trustee and is to be used to make the final bond payment. The Authority has the opportunity to achieve approximately \$58,100 in interest savings by exercising its early redemption option and redeeming the \$1,140,000 worth of bonds scheduled for repayment on February 15, 2014,

on February 15, 2013.

Upon approval of this item, the Authority will be required to inform the Trustee of its intent to redeem 100% of the bonds outstanding; transfer approximately \$237,000 from the Authority's operating account to the redemption fund held by the Trustee; instruct the Trustee to transfer the \$903,000 held in the bond reserve fund to the redemption fund; and instruct the Trustee to issue the required 30 day Notice of Redemption to all affected bondholders.

By accelerating the \$237,000 required to make the February 15, 2014 debt service payment to the current budget year, the Authority will achieve approximately \$58,100 in interest savings while removing the burden the debt service ratio covenant places on setting future rates and budgets.

The Authority's 2012-13 debt service budget was prepared assuming the Authority would continue to make its monthly debt service transfers to the Trustee and includes appropriations covering the March through June transfers. Staff's intention is to increase the remaining debt service appropriation (\$399,000) by the proposed budget adjustment of \$741,000 to allow early redemption of the February 15, 2014 bonds outstanding.

#### **SUPPORTING DOCUMENTS**

A . NVWMA Financial Statement without Debt Service

Executive Director: Approve

Reviewed By: Martha Burdick