



Monterey County

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Board Report

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Consider adopting a Resolution:

- a. Authorizing the execution and delivery by the Agency of an Installment Purchase Agreement, a Pledged Ad Valorem and Pledged Assessment Payment Agreement, a Continuing Disclosure Certificate and a Bond Purchase Agreement in connection with the issuance of Monterey County Financing Authority 2018 Revenue Refunding Bonds and authorizing the distribution of a Preliminary Official Statement and an Official Statement in connection therewith and authorizing the execution of necessary documents and certificates and related actions; and
- b. Directing each Authorized Officer and any other official of the Agency and their duly authorized designees, deputies and agents the authority to amend and execute documents, determine appropriateness of bond terms and conditions, and to carry out, give effect to, and comply with the terms and intent of this Resolution.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Supervisors:

- a. Adopt a Resolution authorizing the execution and delivery by the Agency of an Installment Purchase Agreement, a Pledged Ad Valorem and Pledged Assessment Payment Agreement, a Continuing Disclosure Certificate and a Bond Purchase Agreement in connection with the issuance of Monterey County Financing Authority 2018 Revenue Refunding Bonds and authorizing the distribution of a Preliminary Official Statement and an Official Statement in connection therewith and authorizing the execution of necessary documents and certificates and related actions; and
- b. Direct each Authorized Officer and any other official of the Agency and their duly authorized designees, deputies and agents the authority to amend and execute documents, determine appropriateness of bond terms and conditions, and to carry out, give effect to, and comply with the terms and intent of this Resolution.

SUMMARY:

The current level of tax-exempt interest rates presents an opportunity for the Agency to refinance its Monterey County Financing Authority Revenue Bonds, Series A (Salinas Valley Water Project) (the "2008 Bonds"), currently outstanding in the aggregate principal amount of \$27,780,000. It is estimated that refinancing of the 2008 Bonds will result in approximately \$3.7 million in net present value savings and \$5 million in gross cash flow savings or over \$250,000 of annual budgetary savings, based on current market conditions. Given the dynamic nature of the interest rate market, the actual refinancing savings may vary depending on the municipal market conditions at the time of pricing, which is anticipated to occur in June 2018.

DISCUSSION:

In July 2008, the Monterey County Financing Authority (the “Authority”) issued \$32,855,000 Monterey County Financing Authority Revenue Bonds, Series A (Salinas Valley Water Project). The 2008 Bonds were issued to finance the acquisition, construction and installation of a Salinas River diversion facility and certain spillway modifications at Nacimiento Dam in order to provide the ability to divert Salinas River water into the existing Castroville Seawater Intrusion Project distribution system.

Currently, the 2008 Bonds are outstanding in the amount of \$27,780,000. The 2008 Bonds have an optional call feature such that they become callable on September 1, 2018 at a redemption price of 100 percent and can therefore be current refunded on a tax-exempt basis any date following June 1, 2018 (90 days prior to the call date). All outstanding callable maturities of the 2008 Bonds generate savings and will be refunded.

Officers and employees of the Agency have worked with the Agency’s bond and disclosure counsel (Norton Rose Fulbright), municipal advisor (KNN Public Finance, LLC) and underwriter (Raymond James) to develop the plan of finance for the 2018 Revenue Refunding Bonds and to prepare the necessary legal and disclosure documents. The following is a summary of the key components of the 2018 Revenue Refunding Bonds:

- Consists of fixed rate, tax-exempt obligations not to exceed \$28 million.
- Installment Payments will be paid from the same Pledged Revenues that currently secure the 2008 Bonds.
- Structures a final maturity in Fiscal Year 2038 - no extension of debt; refunding term is one year shorter than the final maturity on 2008 Bonds.
- Releases \$2.2 million of the prior cash debt service reserve fund (“DSRF”) associated with the 2008 Bonds and contributes that portion to the 2018 Revenue Refunding Bonds. The 2018 Revenue Refunding Bonds may satisfy the Reserve Requirement with a Qualified Reserve Fund surety.
- Provides estimated gross savings of \$5 million and generates over \$250,000 in annual budgetary savings.

The Agency anticipates selling the 2018 Revenue Bonds in early June and closing on the financing in early July. The Resolution allows Agency staff to determine, based on interest rate volatility, acceptance of terms on the day of pricing, or whether to postpone pricing should uncontrollable market conditions significantly alter borrowing costs such that the net present value savings resulting from the issuance of the 2018 Revenue Refunding Bonds fall below the required 3% savings threshold pursuant to the Resolution. Further, because final documents may require alteration prior to issuance, the Agency staff is requesting authority to make such changes from the form documents attached, if needed.

OTHER AGENCY INVOLVEMENT:

The County Administrative Office, Auditor-Controller, and County Counsel are working with the Agency on the 2018 Revenue Refunding Bond transaction.

FINANCING:

It is estimated that refinancing the 2008 Bonds and issuance of the 2018 Revenue Refunding Bonds will result in approximately \$3.7 million in net present value savings and \$5 million in gross cash flow savings or over \$250,000 annually, based on current market conditions. All costs of issuance will be paid from bond proceeds.

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Approved by: _____
David E. Chardavoyne, General Manager, (831) 755-4860

Attachments:

1. Installment Purchase Agreement
2. Pledged Ad Valorem Tax and Pledged Assessment Payment Agreement
3. Indenture
4. Bond Purchase Agreement
5. Continuing Disclosure Certificate
6. Preliminary Official Statement
7. Resolution
8. Board Order