

Plumas Eureka Community Services District

Board Report

Subject: Refinancing District Sewer Bonds

History: The Wastewater Treatment Plant on Sequoia (WWTP7) was upgraded to an activate sludge treatment process in 2007. Originally, WWTP7 used a trickling filter process similar to WWTP6 on Ponderosa. PECSD borrowed money via bonds from the USDA to complete the modifications.

Background: The original bond was financed for 40 years there is 25 years left with a remaining balance of \$945,000. The current interest rate is 4.35% there is 25 years left to pay on the current bond. The annual payment for both bonds is \$62,818.00.

In October of last year, the Board considered a proposal from Holman Capital Corporation that would refinance the USDA Loan in ten year increments. The Board rejected the approach.

Chair Shadowens asked that the staff explore refinancing using the California Special Districts Association financing...CSDA Financing Corporation. Cathrine Lamaire from CSDA emailed the following:

“.....two possible scenarios for you to consider.

1. 20 year term at a 2.95% interest rate would show a net savings of about \$100K for the term of the loan. But in this scenario the annual payments would start out about \$2K higher. You would see a savings in the last 5 years of the loan.
2. 25 year term at a 3.35% interest rate would show a net savings of about \$60K for the term of the loan and would save about \$2500 annually.

We have not yet approached the bank with the 25 year proposal. The term is longer than what we would normally see for a refinancing of that size. However, if the annual savings is enough to make a difference to the district,

Stefan is willing to take it to the lender...in his words, “go to bat” for the district. “

After consulting with Chair Shadowens, we asked Cathrine to follow up with the 25-year option.

She replied, “... I’ll get back to you as soon as possible. Can you tell me when the district will be making a decision? Interest rates have been volatile.”

More information maybe available by the Wednesday.

Recommendation. If available, adopt any refinancing option available that will ensure lower annual costs for the entire repayment of the loan.