



ADMINISTRATION COMMITTEE

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Agenda Report

File #: 2024-3619

Agenda Date: 5/22/2024

Agenda Item No: 16.

FROM: Robert Thompson, General Manager
Originator: Wally Ritchie, Director of Finance

SUBJECT:

BUILD AMERICA BONDS PREPAYMENT

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Adopt Resolution No. OC SAN 24-03 entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District authorizing prepayment of Orange County Sanitation District Wastewater Revenue Obligations, Series 2010A (Federally Taxable Build America Bonds) and Orange County Sanitation District Wastewater Revenue Obligations, Series 2010C (Taxable Build America Bonds) and authorizing the execution of necessary documents and related actions", in a not to exceed amount of \$225,000,000.

BACKGROUND

In May 2010, Orange County Sanitation District (OC San) issued \$80,000,000 of fixed rate (5.58%) Wastewater Revenue Obligations, Series 2010A (Federally Taxable Build America Bonds).

In December 2010, OC San issued \$157,000,000 of fixed rate (6.40%) Wastewater Revenue Obligations, Series 2010C (Federally Taxable Build America Bonds).

The U.S. Treasury provides a subsidy to offset a portion of the interest bringing the effective rate on the Series 2010A to 3.68% and on the Series 2010C to 4.11%.

RELEVANT STANDARDS

- Ensure the public's money is wisely spent
- Sustain 1, 5, 20-year planning horizons

PROBLEM

Current interest rates make it advantageous to pay off debt and save money over time.

PROPOSED SOLUTION

Prepay certain portions of the Series 2010A and Series 2010C Revenue Obligations to achieve long term interest cost savings.

TIMING CONCERNS

If the prepayment is not executed in a timely manner, interest rates may move and the potential cost savings may diminish.

RAMIFICATIONS OF NOT TAKING ACTION

OC San will continue to pay the current cost of the debt obligations.

PRIOR COMMITTEE/BOARD ACTIONS

October 2010 - Approved Resolution No. OCSD 10-19, authorizing the execution and delivery by the District of an Installment Purchase Agreement, a Trust Agreement, and a Continuing Disclosure Agreement in connection with the execution and delivery of Orange County Sanitation District Certificates of Participation to be referred to as Wastewater Revenue Obligations, Series 2010C, authorizing the execution and delivery of such revenue obligations evidencing principal in an aggregate amount of not to exceed \$157,000,000, approving a Notice of Intention to Sell, authorizing the distribution of an Official Notice Inviting Bids and an Official Statement in connection with the offering and sale of such revenue obligations and authorizing the execution and delivery of necessary documents and related actions.

April 2010 - Approved Resolution No. OCSD 10-05, authorizing the execution and delivery by the District of an Installment Purchase Agreement, a Trust Agreement, and a Continuing Disclosure Agreement in connection with the execution and delivery of Orange County Sanitation District Certificates of Participation to be referred to as Wastewater Revenue Obligations - Series 2010A, authorizing the execution and delivery of such revenue obligations evidencing principal in an aggregate amount of not to exceed \$80,000,000, approving a Notice of Intention to Sell, authorizing the distribution of an Official Notice Inviting Bids and an Official Statement in connection with the offering and sale of such revenue obligations and authorizing the execution and delivery of necessary documents and related actions.

ADDITIONAL INFORMATION

The Build America Bonds were issued at taxable interest rates with a bi-annual subsidy being provided by the U.S. Treasury to mitigate a portion of the taxable interest rates. Prepaying portions of the Series 2010A and Series 2010C Revenue Obligations will help reduce OC San's exposure to the subsidy reduction risk and will result in an interest cost savings of more than \$30 million. The transaction will also reduce the final debt payment for OC San's total debt portfolio by five years, from 2044 to 2039.

CEQA

N/A

FINANCIAL CONSIDERATIONS

Adjustments in the current year capital program result in funds available to prepay the obligations and will save money in long term interest cost. This action will not affect the rates to the residents or alter the future of the capital program.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Resolution No. OC SAN 24-03