

San Geronio Pass Water Agency

DATE: January 22, 2024
TO: Board of Directors
FROM: Lance Eckhart, General Manager
BY: Tom Todd, Jr., Chief Financial Officer
SUBJECT: EARLY BOND PAYOFF

BACKGROUND

Staff and the Board have previously considered paying off EBX bonds early to reduce the balloon payments for 2026 through 2029. When considered some years ago, it was determined that no bonds were available for early defeasment, and the matter lay dormant. The Board requested an update in June 2023.

Requesting DWR to pay off bonds early is easy; it is as simple as writing an email. However, the analysis requires DWR staff and bond counsel and takes time. Coordinating the schedules of all the parties is also a challenge. Eventually, a meeting with DWR was set up, information was exchanged, and an analysis was promised.

After repeated requests, the analysis was eventually received on December 27, 2023. In addition, Staff recently discovered that part of the delay was caused by a key DWR staff member resigning.

ANALYSIS

The initial analysis suggests that an outlay of around \$10 million could significantly impact the level of payments in 2027, 2028, and 2029. However, further engagement with DWR staff is necessary to establish the level of benefit that the Agency would derive.

Once DWR can verify the bond impacts, Staff recommends that the Finance and Budget Committee review the report to consider how such an expenditure would fit into our current budget and any upcoming budgets that might be affected. The Committee could then make a recommendation to the Board.

The primary time constraint will be related to DWR staff. It has taken about six months to get initial information, so setting up an additional meeting will take some time. In addition, the process of defeasing bonds is not a simple one and not a process that DWR handles regularly. The defeasment process, if pursued, could be a process that takes several months.

NEXT STEPS

With Board direction, Staff will email DWR to request additional defeasment analysis. Staff may also be able to schedule an in-person meeting during the CFO's regular State Water Contractors Audit-Finance Committee meetings in Sacramento to try to expedite the process.