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October 26, 2020

Board of Directors  
 Triunfo Water & Sanitation District  
 Ventura County, California

**DEBT MANAGEMENT STRATEGY**

**Summary**

In an effort to take advantage of lower interest rates, the VRSD Director of Finance suggested that the Triunfo Water & Sanitation District (TWSD) explore an early refinancing of the 2011 Oak Canyon Reservoir Project Loan. Following VRSD’s initial effort to obtain an early refinancing of the subject loan, VRSD was informed by their underwriter that Bank of America was unwilling to support early refinancing of the loan even with the offer of paying the current principal and current interest rate through the refinancing eligibility date of August 1, 2021.

In addition to the 2011 Oak Canyon Reservoir loan, and in light of anticipated future borrowing to support the District’s funding contribution to the Pure Water Project, staff reviewed the other two existing District’s loans in order to develop an updated funding strategy. The goal or strategy of the plan would be to reduce the cost of existing debt by obtaining a lower interest rate and position the District to obtain favorable terms on future debt by combining the refinancing of the 2017 Recycled Water loan with the Pure Water Project Financing.

Currently, the Triunfo Water & Sanitation District has three existing loans held by Bank of America as follows:

Loan Description	Loan Term	Tax	Interest Rate	Original Loan Amount	Date of Refinance
2011 Oak Canyon Reservoir	August 1 2011 - February 1, 2031	Tax-exempt	4.68%	\$ 7,760,000	8/1/2021
2014 Automated Meters for Potable & Recycled Water	November 22, 2014 - May 22, 2029	Tax-exempt	3.24%	\$ 2,535,000	11/22/2021
2017 Acquisition of the Calleguas Municipal Water District Recycled Water Pipeline	August 15, 2017 - February 15, 2032	Tax-exempt	2.74%	\$ 9,849,000	8/15/2024
		Taxable	4.39%	\$ 1,876,000	8/15/2024

Subsequent to VRSD’s refinancing efforts, TWSD staff contacted Doug Dove of Bartle & Wells, the District’s financial advisor for the three (3) current loans for his advice on how to best manage the District existing, as well as anticipated future debt. He later contacted Bank of America on District’s behalf and again concluded that Bank of America was

unwilling to support early refinancing. Although Bank of America was not willing to give specific reason for not supporting an early refinancing, staff believes that there position is based on the parity obligation provision associated with the 2017 loan, which limits additional borrowing.

Based on staff's review of the District's current loans and the advice of our financial advisor and VRSD underwriter, staff proposes the following steps moving forward.

1. Refinance the 2011 Oak Canyon Reservoir Loan (August 2021)
2. Refinance the 2014 Automated Meter Read Loan refinance (November 2021), or retire the loan; and
3. Early refinance of the 2017 Recycled Water Pipeline Acquisition Loan (August 2024) with the refinancing of the two other loans. The early refinancing will close the loan and eliminate the provision of the parity obligation that limits issuing additional debt in excess of \$100,000.

**Recommendation**

Direct staff to continue the evaluation, development, and implementation of Debt Management Plan.

REVIEWED AND APPROVED: \_\_\_\_\_

  
Mark Norris - General Manager