

Marina Coast Water District
Agenda Transmittal

Agenda Item: 9-B

Meeting Date: December 13, 2011

Prepared By: Kelly Cadiente

Presented By: Kelly Cadiente

Reviewed By: Carl Niizawa

Agenda Title: Adopt Resolution No. 2011-87 to Approve the Early Pay-Off of Rabobank Loan #870001432

Detailed Description: Staff is requesting the Board consider adoption of Resolution No. 2011-87 to approve the early pay-off of Rabobank Loan #870001432 which the District acquired April 26, 2005 at a fixed rate of 6.495%. It was previously thought that there would be a prepayment penalty assessed if the loan were paid off before it matured, however staff has confirmed that there is no penalty for early pay-off.

This loan was obtained by the District in order to pay the unfunded liability portion of its membership into the California Public Employees Retirement System (CalPERS). At the time the loan was obtained, the District had the option of financing the unfunded liability with CalPERS at rate of 7.75%. In addition, the District was earning 9.00% from its savings account and therefore, acted prudently in borrowing the funds rather than paying off the unfunded liability with District Reserves. Now that the current earning rates are below 1.00%, it is fiscally prudent to pay off the balance of the loan with Reserves. The principal balance of the loan is \$365,093.

The District would stand to save \$37,461 over the remaining life of the loan, of which, \$10,124 of savings would be realized in Fiscal Year 2011/2012. The savings are calculated as follows:

\$43,728	– total interest payments over the remaining life of the loan
<u>-\$6,267</u>	– total potential interest earnings on \$365,093 over the remaining life of the loan
<u>\$37,461</u>	– total net savings

The Budget and Personnel Committee has reviewed the option of early pay-off of this loan and recommends that the Board approve the option.

Environmental Review Compliance: None.

Prior Committee or Board Action: November 23, 2004 Board adopted Resolution No. 2004-64 to approve acquiring a Loan for the Unfunded Liability Payment to the California Public Employees Retirement System (CalPERS); December 2, 2011 Budget & Personnel Committee reviewed the early pay-off of Rabobank Loan #870001432 for recommendation for Board approval at the December 13, 2011 Board meeting.

Board Goals/Objectives: *Strategic Plan, Mission Statement – Providing high quality water, wastewater and recycled water services to the District’s expanding communities through management, conservation and development of future resources at reasonable costs.*

Financial Impact: Yes No

Funding Source/Recap: District Reserve funds will be used to fund the early pay-off of Rabobank Loan #870001432.

Material Included for Information/Consideration: Resolution No. 2011-87

Staff Recommendation: The Board of Directors adopt Resolution No. 2011-87 to approve early pay-off of Rabobank Loan #870001432 in the amount of \$365,093.

Action Required: Resolution Motion Review
(Roll call vote is required.)

Resolution No	_____	Motion By	_____	Board Action	Seconded By	_____
Ayes	_____	Abstained	_____			
Noes	_____	Absent	_____			
Reagendized	_____	Date	_____	No Action Taken	_____	

December 13, 2011

Resolution No. 2011-87
Resolution of the Board of Directors
Marina Coast Water District
Approving an Early Pay-Off of
Rabobank Loan #870001432 in the amount of \$365,093

RESOLVED by the Board of Directors (“Directors”) of the Marina Coast Water District (“District”), at a regular meeting duly called and held on December 13, 2011 at the business office of the District, 11 Reservation Road, Marina, California as follows:

WHEREAS, on April 26,2005, the District acquired a loan with Community Bank (now Rabobank) in order to pay the unfunded liability portion of its membership into the California Public Employees Retirement System (CalPERS)at a fixed rate of 6.495%; and,

WHEREAS, it was previously thought that there would be a prepayment penalty assessed if the loan was paid off before it matured but staff has confirmed that there is no penalty for early pay-off; and,

WHEREAS, The District would stand to save \$37,461 over the remaining life of the loan.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Marina Coast Water District does hereby adopt Resolution No. 2011-87 to approve the early pay-off of Rabobank Loan #870001432 in the amount of \$365,093.

PASSED AND ADOPTED on December 13, 2011, by the Board of Directors of the Marina Coast Water District by the following roll call vote:

Ayes: Directors _____

Noes: Directors _____

Absent: Directors _____

Abstained: Directors _____

William Y. Lee, President

ATTEST:

Jim Heitzman, Secretary

CERTIFICATE OF SECRETARY

The undersigned Secretary of the Board of the Marina Coast Water District hereby certifies that the foregoing is a full, true and correct copy of Resolution No. 2011-87 adopted December 13, 2011.

Jim Heitzman, Secretary