

**TOWN OF PRESCOTT VALLEY
REQUEST FOR COUNCIL ACTION
Date: September 2, 2010**

SUBJECT: Proposed Defeasance of Municipal Property Corporation Municipal Facilities Revenue Bonds, Second Series 2003 (North Well Project)

SUBMITTING DEPARTMENT: Management Services

PREPARED BY: William Kauppi, Management Services Director

AGENDA LOCATION: Comments/Communications , Consent , Work/Study ,
New Business , Public Hearing , Second Reading

ATTACHMENTS: Payoff schedule analysis

SUMMARY/BACKGROUND: Over the years, the Municipal Property Corporation (MPC) Board has assisted the Town in constructing various projects by entering into leases of Town property, then issuing bonds based on the lease revenue. In fiscal year 2003-04, the former Prescott Valley Water District budget included improvements to the District's water system that would allow the District to extend the area in which its wells were located and thereby mitigate the cone of depression which had developed in its primary well field north of Bradshaw Mountain High School. This project included the acquisition of property interests for six (6) new wells and for pipelines connecting the new wells to both the former District and Town domestic water systems.

On September 10, 2003, the MPC issued \$4,580,000 in municipal revenue bonds to assist the District in financing development of the new well field, using District rental payments based on District rates, fees and charges. Since then, the District has been dissolved and the two water systems have been merged into a single system. As a result of the merger, payments formerly made by the District have been assumed by the Town for payment from the Water Fund.

Annual installments of between \$240,000 and \$395,000 have been paid towards these bonds since 2003, and payments remain due through January 1, 2019. The current balance owed is \$3,035,000. Recently, the Town's financial advisors have suggested that it would potentially be beneficial for the Town to consider paying off or "defeasing" these bonds this fiscal year. Benefits would include increasing our bonding capacity and improving the utility debt service coverage test for the Water Rate Study calculations. The revenue source for the defeasance would be cash reserves from the Water Capacity Fund.

If Council directs staff to investigate paying off these MPC Bonds, we will begin the necessary steps.

OPTIONS ANALYSIS: None; for discussion only.

ACTION OPTION: None; for discussion only.

RECOMMENDATION: None; for discussion only.

FISCAL ANALYSIS: A net present value savings of \$322,449.25 is currently estimated by this proposed defeasance.

REVIEWED BY:

Management Services Director _____ Town Clerk _____

Town Attorney _____

Town Manager _____

COUNCIL ACTION:

Approved Denied Tabled/Deferred Assigned to _____