

Lake Arrowhead Community Services District

Memorandum

DATE: January 8, 2008
To: BOARD OF DIRECTORS
Lake Arrowhead Community Services District
FROM: Scott H. Campbell
RE: Defeasance of 1993 Bonds

A. Recommendation:

Authorize District staff to provide the District's fiscal agent with irrevocable instructions to owners of the District's 1993 bonds that the bonds are deemed to have been paid and the date upon which owners of the Bonds can receive payment.

B. Reason for Recommendation:

Sending such instructions will allow the District's bond counsel to issue the required opinion letter that will allow the District to enter into the State Revolving Fund (SRF) loan for the requested water treatment facility, assuming all other loan prerequisites are satisfied.

C. Background Information:

As described in the confidential attorney-client memo from the District's bond counsel, in order to proceed immediately with the SRF loan, the District must defease the 1993 bonds prior to entering into the SRF loan. Funds sufficient to pay off the 1993 bonds, which mature in June of 2008, are already in a trust account with U.S. Bank. The final action of the District would be to instruct the District's fiscal agent – U.S. Bank – to inform the bond owners that the 1993 bonds are deemed to have been paid. This "defeasance" of the bonds will allow the District to proceed with the SRF Loan process now, rather than waiting until July 2008, when the 1993 Bonds mature. If the District's SRF Loan process is delayed, the construction of the recycled water facilities might be delayed.

D. Fiscal Information:

Authorizing the District to notify the fiscal agent that the bonds have been deemed paid will allow the District to proceed with the SRF Loan. The money required for the payment of the interest and remaining bond principal has already been deposited into a trust account with U.S. Bank.

E. Attachments

Memo from Bond Counsel.