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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

July 27, 1992

To: Board of Directors (Finance and Insurance Committee--Action)
From: General Manager
Subject: Transmittal of Third Supplemental Resolution to Amend the Master Resolution for Water Revenue Bonds and Other Forms of Indebtedness

Report

In July 1991, your Board adopted Resolution 8329, a form of master resolution authorizing the issuance of water revenue bonds and other forms of indebtedness. Junior-lien revenue bonds may be issued in series under the master resolution pursuant to supplemental resolutions that provide the specific terms and conditions under which each series of bonds will be issued.

In July 1991 the District issued \$300 million in water revenue bonds under the first supplemental resolution to the master resolution. In late July or early August 1992 the District will issue \$550 million in water revenue bonds under the second supplemental resolution.

Bond counsel, in connection with the 1992 bond sale, has advised the District to amend its master resolution to clarify the manner in which maximum annual debt service is calculated when paired obligations are issued (such as RIBS and SAVRS), and when fixed rate payments are converted to variable rate payments under an interest rate swap agreement.

Amendment of the master resolution requires consent by a majority of the owners of the outstanding junior-lien revenue bonds if the proposed amendment could have any negative effect on the bondowners. While it does not appear that the proposed amendments will have a negative effect on the bondowners, there is no definitive way to prove that this is true. Therefore, it is considered prudent to obtain the required consent. The Depository Trust Company (DTC) has agreed to consent to the amendments, at the closing of the sale, as registered owners of the bonds at the direction of the underwriters who will be the initial beneficial owners of the 1992 bonds. Since the 1992 bonds will constitute more than a majority of the total outstanding junior-lien bonds, DTC's consent in this manner is sufficient to consent to the amendments. This procedure has been clearly disclosed and explained in the preliminary official statement being distributed to prospective bond purchasers.

July 27, 1992

Transmitted herewith for the Board's adoption is the third supplemental resolution amending the master water revenue bond resolution to clarify calculation of maximum annual debt service for paired obligations and interest rate swap agreements.

The proposed action is exempt from the provisions of the California Environmental Quality Act because there is no possibility that it would have a significant effect on the environment.

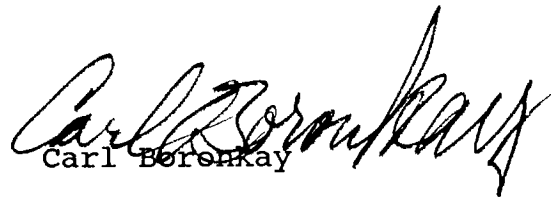
Assignment of this letter to Board Committees

This letter was referred for action to the Finance and Insurance Committee because of its authority to study, advise and make recommendations with regard to the sale of bonds, pursuant to Administrative Code Section 2441(b).

Recommendation

FINANCE AND INSURANCE COMMITTEE FOR ACTION:

It is recommended that the Board of Directors adopt the third supplemental resolution to the master water revenue bond resolution in the form attached hereto as Attachment A, to clarify calculation of maximum annual debt service for paired obligations and interest rate swap agreements.


Carl Beronkay

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THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

RESOLUTION 8375

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AMENDING CERTAIN PROVISIONS OF THE
MASTER RESOLUTION
(THIRD SUPPLEMENTAL RESOLUTION)**

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WHEREAS, pursuant to the Act (as defined in the hereinafter defined Master Resolution), the Board of Directors (the "Board") of The Metropolitan Water District of Southern California (the "District") may authorize the issuance of revenue bonds for any purpose permitted under the Act;

WHEREAS, pursuant to Resolution 8329 adopted by the District on July 9, 1991 (the "Master Resolution"), the District has heretofore authorized the issuance of Water Revenue Bonds (the "Bonds") on behalf of the District by adoption of supplemental resolutions from time to time, with the payment of the principal of, interest on, and any redemption premiums thereon being secured by and payable solely from the Net Operating Revenues (as defined in the Master Resolution) of the District;

WHEREAS, pursuant to the Master Resolution, the District has issued, and there are currently outstanding, \$296,345,000 aggregate principal amount of the District's Water Revenue Bonds, Issue of 1991 and \$550,000,000 aggregate principal amount of the District's Water Revenue Bonds, Issue of 1992;

WHEREAS, pursuant to Section 8.01(A) of the Master Resolution, the Master Resolution may be amended by a supplemental resolution adopted by the Board with the written consent of a majority in aggregate amount of Bond Obligation of the Bonds (both as defined in the Master Resolution) then outstanding;

WHEREAS, pursuant to Section 8.01(B)(2) of the Master Resolution, the Master Resolution may be amended by a supplemental resolution adopted by the Board without the consent of any Bondholders (as defined in the Master Resolution) for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained therein, or in regard to matters or questions arising thereunder, as the Board may deem

necessary or desirable, and which do not materially and adversely affect the interests of the Owners of any of the Bonds;

WHEREAS, the District has obtained the written consent of a majority in aggregate amount of Bond Obligation outstanding at the time of the adoption of this Third Supplemental Resolution (this "Third Supplemental Resolution") for all or any portions of this Third Supplemental Resolution, except such portions providing that no such consent shall be required; and

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California, DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Third Supplemental Resolution; Determinations. This Third Supplemental Resolution is adopted in accordance with the provisions of the Master Resolution.

SECTION 1.02. Definitions. All terms which are defined in Section 1.02 of the Master Resolution shall, unless otherwise defined herein, have the same meanings, respectively, in this Third Supplemental Resolution. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Third Supplemental Resolution and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and the plural forms of any of the terms herein defined.

ARTICLE II

AMENDMENT OF MASTER RESOLUTION

SECTION 2.01. Amendment of Master Resolution Pursuant to Section 8.01(A) thereof.

Pursuant to Section 8.01(A) of the Master Resolution, the provisions of the Master Resolution are hereby amended and supplemented as follows:

(A) The definition of "Maximum Annual Debt Service" contained in Section 1.02 of the Master Resolution is hereby amended to read in its entirety as follows:

"'Maximum Annual Debt Service' shall mean, as of any date of calculation, the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Obligations in any Fiscal Year including the Fiscal Year in which the calculation is

made or any subsequent Fiscal Year; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) Excluded Principal Payments shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(b) if the Parity Obligations or Bonds are Variable Rate Indebtedness and (i) are secured pursuant to a Credit Facility which, if drawn upon, could create a repayment obligation which has a lien on Net Operating Revenues subordinate to the lien of the Parity Obligations or Bonds or (ii) are not secured by any Credit Facility, the interest rate on such Parity Obligations or Bonds for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to an interest rate calculated by multiplying 1.20 times the interest rate on the Parity Obligations or Bonds on the date of calculation or, if such Parity Obligations or Bonds are not currently Outstanding, 1.20 times the interest rate that such Parity Obligations or Bonds would bear if they were Outstanding on such date, as certified by a Certificate of a financial advisor or investment banker delivered to the District;

(c) if the Parity Obligations or Bonds are Variable Rate Indebtedness and are secured pursuant to a Credit Facility which, if drawn upon, could create a repayment obligation which has a lien on Net Operating Revenues on a parity with the lien of the Parity Obligations or Bonds, the interest rate on such Parity Obligations or Bonds for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the lesser of (i) the then current "prime rate" of the provider of the Credit Facility and (ii) the maximum rate permitted on the Parity Obligations or Bonds;

(d) principal and interest payments on Parity Obligations and Bonds shall be excluded to the extent such payments are to be paid from amounts on deposit (and investment earnings thereon) as of the date of calculation with the Treasurer, any Fiscal Agent or any other fiduciary in an escrow irrevocably dedicated therefor and to the extent that such interest payments are to be paid from the proceeds of Parity Obligations or Bonds held by the Treasurer, the Fiscal Agent or any other fiduciary as capitalized interest specifically to pay such interest;

(e) if the Bonds or Parity Obligations are Paired Obligations, the interest rate on such Bonds or Parity Obligations shall be the collective fixed interest rate to be paid by the District with respect to such Paired Obligations; and

(f) in determining the principal amount due in each Fiscal Year, payment (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) shall be assumed to be made in accordance with any amortization schedule established for such debt, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds or Parity Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed an interest payment due on the scheduled redemption or payment date.

(B) The definition of "Variable Rate Indebtedness" contained in Section 1.02 of the Master Resolution is hereby amended to read in its entirety as follows:

"'Variable Rate Indebtedness' means any indebtedness or obligation, other than Paired Obligations, the interest rate on, or amount of, which is not fixed at the time of incurrence of such indebtedness or obligation, and has not at some subsequent date been fixed, at a single numerical rate for the entire remaining term of the indebtedness or obligation."

(C) The following definition of "Paired Obligations" is hereby added to Section 1.02 of the Master Resolution:

"'Paired Obligations' means any one or more Series (or portion thereof) of Bonds or Parity Obligations, designated as Paired Obligations in the Supplemental Resolution or other document authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred (i) the principal of which is of equal amount maturing and to be retired on the same dates and in the same amounts, and (ii) the interest rates on which, taken together, result in an irrevocably fixed interest rate obligation of the District for the term of such Bonds or Parity Obligations."

(D) The first two paragraphs of Section 5.06 of the Master Resolution are hereby amended and supplemented to read in their entirety as follows:

"SECTION 5.06 Bond Service Fund. Upon delivery of the Bonds to the purchasers thereof, the amount specified pursuant to Section 3.01 hereof shall be placed in the Bond Service Fund.

As soon as practicable in each calendar month, following the transfers required by Section 5.05 hereof, there shall be set aside and transferred to the Bond Service Fund an amount equal to (A) (i) with respect to the Outstanding Current Interest Bonds of each Series (except for Bonds constituting Variable Rate Indebtedness or Paired Obligations), such amount as shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on the next interest payment

date for all such Outstanding Current Interest Bonds of such Series (excluding any interest for which there are moneys deposited in the Bond Service Fund from the proceeds of such Series of bonds or other source and reserved as capitalized interest to pay such interest until the next interest payment date), until the requisite amount of interest becoming due on the next interest payment date on all such Outstanding Current Interest Bonds of such Series (except for Bonds constituting Variable Rate Indebtedness or Paired Obligations) is on deposit in such account, (ii) 110% of the aggregate amount of interest, estimated by the Treasurer in his or her reasonable judgment, to accrue during that month on the Outstanding Variable Rate Indebtedness; provided, however, that the amount of such deposit into the Bond Service Fund for any month may be reduced by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Variable Rate Indebtedness exceeded the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness and further provided that the amount of such deposit into the Bond Service Fund for any month shall be increased by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Variable Rate Indebtedness was less than the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness, and (iii) with respect to Outstanding Paired Obligations, such amount as shall be sufficient on a monthly pro rata basis to pay the aggregate of the collective fixed interest obligation of the District for such Paired Obligations coming due and payable on the next interest payment date for such Paired Obligations, and (B) (i) one-sixth of the aggregate semi-annual amount of any Bond Obligation becoming due and payable on the Outstanding Bonds of all Series having semi-annual maturity dates or semi-annual Mandatory Sinking Account Payments due within the next twelve months; provided that if the Board irrevocably determines by resolution that any principal payments on the Bonds of any Series shall be refunded on or prior to their respective due dates or paid from amounts on deposit in a reserve account established and maintained for Bonds of that Series, no amounts need be set aside toward such principal to be so refunded or paid. If, during the twelve-month period (or six-month period with respect to Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding a Mandatory Sinking Account Payment date, the Treasurer has purchased Term Bonds of a Series and maturity subject to such Mandatory Sinking Account Payment with moneys in the Bond Service Fund, or, during said period and prior to giving said notice of redemption, the District has deposited Term Bonds of such Series and maturity with the Fiscal Agent for such Series for cancellation, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Treasurer or the Fiscal Agent for such Series from the Redemption Fund, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce amounts required to be deposited in the Bond Service Fund. All Term Bonds purchased from the Bond Service Fund or deposited by the District with the Fiscal Agent for such Series shall be allocated

first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the District. All Term Bonds redeemed by the Treasurer or the Fiscal Agent for such Series from amounts in the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the District."

SECTION 2.02. Amendment of Master Resolution Pursuant to Section 8.01(B)(2) thereof.

Pursuant to Section 8.01(B)(2) of the Master Resolution, without the requirement of the consent of any Bondholders the provisions of the Master Resolution are hereby amended and supplemented as follows:

(A) The definition of "Maximum Annual Debt Service" contained in Section 1.02 of the Master Resolution, as amended pursuant to Section 2.01 above, is hereby further amended to read in its entirety as follows:

"'Maximum Annual Debt Service' shall mean, as of any date of calculation, the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Obligations in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) Excluded Principal Payments shall be excluded from such calculation and Assumed Debt Service shall be included in such calculation;

(b) if the Parity Obligations or Bonds are Variable Rate Indebtedness and (i) are secured pursuant to a Credit Facility which, if drawn upon, could create a repayment obligation which has a lien on Net Operating Revenues subordinate to the lien of the Parity Obligations or Bonds or (ii) are not secured by any Credit Facility, the interest rate on such Parity Obligations or Bonds for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to an interest rate calculated by multiplying 1.20 times the interest rate on the Parity Obligations or Bonds on the date of calculation or, if such Parity Obligations or Bonds are not currently Outstanding, 1.20 times the interest rate that such Parity Obligations or Bonds would bear if they were Outstanding on such date, as certified by a Certificate of a financial advisor or investment banker delivered to the District;

(c) if the Parity Obligations or Bonds are Variable Rate Indebtedness and are secured pursuant to a Credit Facility

which, if drawn upon, could create a repayment obligation which has a lien on Net Operating Revenues on a parity with the lien of the Parity Obligations or Bonds, the interest rate on such Parity Obligations or Bonds for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the lesser of (i) the then current "prime rate" of the provider of the Credit Facility and (ii) the maximum rate permitted on the Parity Obligations or Bonds;

(d) principal and interest payments on Parity Obligations and Bonds shall be excluded to the extent such payments are to be paid from amounts on deposit (and investment earnings thereon) as of the date of calculation with the Treasurer, any Fiscal Agent or any other fiduciary in an escrow irrevocably dedicated therefor and to the extent that such interest payments are to be paid from the proceeds of Parity Obligations or Bonds held by the Treasurer, the Fiscal Agent or any other fiduciary as capitalized interest specifically to pay such interest;

(e) if the Bonds or Parity Obligations are Paired Obligations, the interest rate on such Bonds or Parity Obligations shall be the collective fixed interest rate to be paid by the District with respect to such Paired Obligations;

(f) in determining the principal amount due in each Fiscal Year, payment (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) shall be assumed to be made in accordance with any amortization schedule established for such debt, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds or Parity Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed an interest payment due on the scheduled redemption or payment date; and

(g) with respect to each interest rate swap agreement constituting a Parity Obligation then in effect, if any, there shall be added into the calculation of Maximum Annual Debt Service an amount equal to the greater of:

(i) 0 and

(ii) (a) if the swap rate applicable to the District under such interest rate swap agreement is fixed, an amount equal to (1) (x) such fixed swap rate less (y) the variable swap rate applicable to the counterparty to such interest rate swap agreement at such date of determination, times (2) the notional

amount of such interest rate swap agreement,
or

(b) if the swap rate applicable to the District under such interest rate swap agreement is variable, an amount equal to (1) (x) 1.20 times the variable swap rate at such date of determination less (y) the fixed swap rate applicable to the counterparty to such interest rate swap agreement, times (2) the notional amount of such interest rate swap agreement,

in each case the notional amount of, and swap rates applicable to each party on such date of determination under, such interest rate swap agreement shall be as set forth in a certificate of a financial advisor or investment banker delivered to the District.

Notwithstanding any other subsection of this definition of Maximum Annual Debt Service, except as set forth in subsection (g) above, no amounts payable under any interest rate swap agreement constituting a Parity Obligation shall be included in the calculation of Maximum Annual Debt Service."

ARTICLE III

MISCELLANEOUS

SECTION 3.01. Master Resolution. The Master Resolution, as amended and supplemented by this Third Supplemental Resolution, is in all respects ratified and approved.

SECTION 3.02. Severability of Invalid Provisions. If any one or more of the provisions contained in this Third Supplemental Resolution shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Third Supplemental Resolution and such invalidity, illegality or unenforceability shall not affect any other provision of this Third Supplemental Resolution, and this Third Supplemental Resolution shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have adopted this Third Supplemental Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Third Supplemental Resolution may be held illegal, invalid or unenforceable.

SECTION 3.03. Article and Section Headings and References; Interpretation. The headings or titles of the several

Articles and Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Third Supplemental Resolution.

All references herein to "Article," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Third Supplemental Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Third Supplemental Resolution as a whole and not to any particular Article, section or subdivision hereof.

SECTION 3.04. Governing Law. This Third Supplemental Resolution shall be construed and governed in accordance with the laws of the State of California.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California at its meeting held on August __, 1992.

Executive Secretary
The Metropolitan Water District
of Southern California