



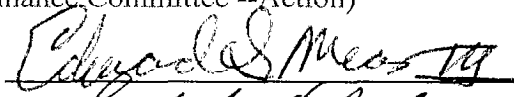
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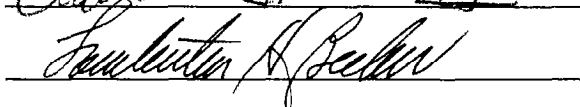
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-1

September 30, 1997

To: Board of Directors (Budget and Finance Committee -- Action)

From: *for* General Manager 

Submitted by: Lambertus H. Becker
Chief Financial Officer 

Subject: Appropriation No. 15307 - Marketing Expenses for the Sale of Water Revenue Bonds

RECOMMENDATIONS

It is recommended that the Board of Directors:

- 1) Authorize Appropriation No. 15307, in the amount of \$937,000, for marketing expenses arising from the sale of up to \$750 million in water revenue bonds, to be paid from the General Fund; and
- 2) Express its intent to reimburse expenses paid from the General Fund from bond proceeds, and authorize the General Manager to effect such reimbursement to the extent permitted under federal laws and regulations in accordance with instructions from bond counsel.

EXECUTIVE SUMMARY

By separate letter, the General Manager is recommending Board action to authorize the sale of Water Revenue Bonds during the 12 month period from October 1997 through September 1998. An appropriation is required against which to charge expenses incurred and to be incurred in connection with this bond sale.

Projected marketing expenses were derived from past experience and the best estimates of staff and the District's financial advisor. It is recommended that the Board of Directors authorize Appropriation No. 15307, in the amount of \$937,000, from the General Fund, to pay marketing expenses arising from the proposed sale of water revenue bonds. In order to maintain financing flexibility, your Board is being asked to

authorize reimbursement of marketing expenses paid from the General Fund from bond proceeds, if deemed appropriate.

DETAILED REPORT

Under separate letter the General Manager is recommending Board action to authorize a negotiated sale of up to \$750 million in water revenue bonds during the 12-month period from October 1997 through September 1998. It is proposed to issue up to \$650 million in fixed rate bonds and up to \$100 million in variable-rate bonds. The bonds are needed to finance the design and construction of improvements and works of the District. Depending on market conditions, it is currently planned to sell the bonds in the latter part of 1997 or early 1998. An appropriation is required against which to charge marketing expenses incurred and to be incurred in connection with the proposed negotiated sale.

Marketing expense estimates for this sale are derived from past experience and the best estimates of staff and the District's financial advisor. It is estimated that an appropriation in the amount of \$937,000 will be required. The following table shows the breakdown of estimated expenses:

Bond Counsel	\$ 90,000
Co-Bond Counsel	\$ 35,000
Disclosure Counsel	\$ 35,000
Moody's Investor Service	\$ 70,000
Standard and Poor's Corporation	\$ 70,000
Typesetting, Printing, Mailing	\$120,000
Auditing Services	\$ 10,000
Market Development/Miscellaneous	\$ 10,000
Contingency	<u>\$ 25,000</u>
Subtotal	\$465,000
Surety Bond	<u>\$472,000</u>
Total	\$937,000

The \$472,000 included for a surety bond is to provide the flexibility to use insurance in lieu of cash to satisfy the revenue bond reserve fund requirement for up to \$650 million in fixed rate debt, and deposit the freed-up bond proceeds in the construction fund. The estimate is based on a one-time premium of 2 percent of the principal amount of the surety (one-half maximum annual debt service).

The appropriation for this purpose will be designated Appropriation No. 15307 "Marketing Expenses for Sale of Water Revenue Bonds." In order to maintain financing flexibility, your Board is being asked to express its intent, if the sale occurs, to reimburse expenses paid from the General Fund from bond proceeds, and authorize the General Manager to effect such reimbursement to the extent permitted under federal laws and regulations in accordance with instructions from bond counsel.

Action in connection with the marketing expenses associated with the sale is exempt from the provisions of the California Environmental Quality Act because it constitutes a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

CGP:mb

97-MRKEX