

December 15, 1998

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

From: General Counsel _____

Subject: Amendment to Contract with Hawkins, Delafield & Wood for Disclosure Counsel Services

RECOMMENDATION(S)

It is recommended that the Board authorize the General Counsel to amend an existing agreement with the law firm of Hawkins Delafield & Wood for disclosure counsel services to permit this firm to complete disclosure on two proposed financings which will extend beyond the December 31, 1998, termination date of the current contract.

EXECUTIVE SUMMARY

In November 1995, the Board authorized the General Counsel to enter into a contract with the firm of Hawkins, Delafield & Wood (Hawkins Delafield) for disclosure counsel services in connection with Metropolitan's sale of bonds and commercial paper. This authorization will expire on December 31, 1998.

Hawkins Delafield has prepared an official statement describing two series of revenue bonds which Metropolitan intends to issue and sell when permitted under prevailing market conditions. Disclosure counsel began work on these financings in October 1998. Both bond issues are sensitive to prevailing interest rates and neither has been sold to date. A revision in the disclosure counsel contract to extend the termination date with respect to these two financings will allow these bond issues to be sold on short notice when a "window" opens in the market and will permit Hawkins Delafield to conclude this work.

DETAILED REPORT

In November 1995, the Board authorized the General Counsel to enter into a contract with the firm of Hawkins, Delafield & Wood for disclosure counsel services in connection with Metropolitan's sale of bonds and commercial paper. A three-year contract was awarded based on Hawkins Delafield's successful proposal in response to Metropolitan's request for proposals for disclosure counsel. This authorization will expire on December 31, 1998. On November 12, 1998, fifteen firms, including Hawkins Delafield, submitted proposals to serve as Metropolitan's disclosure counsel for 1999 through 2001 to the General Counsel. These proposals are currently being evaluated and selection is anticipated in early 1999.

Pursuant to its existing engagement, Hawkins Delafield has prepared an official statement describing two series of revenue bonds which Metropolitan intends to issue and sell when permitted under prevailing market conditions. Metropolitan's Water Revenue Bonds, 1998 Authorization, Series 1, were authorized by Resolution 8616 adopted by the Board on November 10, 1998, to provide funds to retire a portion of Metropolitan's outstanding commercial paper with fixed rate debt. Also on November 10, 1998, the Board approved an appropriation for costs of issuance of Metropolitan's Water Revenue Refunding Bonds, 1998 Series B, to be issued to refund certain outstanding water revenue bonds when market conditions permit such refunding to meet the savings target established by the Board.

Disclosure counsel began work on these financings in October. Both bond issues are sensitive to prevailing interest rates and neither has been sold. A revision in the disclosure counsel contract to extend the termination date with respect to these two financings will allow these bond issues to be sold on short notice when a "window" opens in the market thereby permitting Hawkins Delafield to conclude this work.

SBB:mg