

July 23, 1999

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

From: General Manager _____

Submitted by: Lambertus H. Becker
Chief Financial Officer _____

Subject: Appropriation No. 15338 Marketing Expenses for the Sale of Water Revenue Bonds

RECOMMENDATION(S)

It is recommended that the Board:

1. Authorize Appropriation No. 15338 in the amount of \$613,000 for marketing expenses arising from the sale of up to \$300 million in water revenue bonds, to be paid from the General Fund; and
2. Express the 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 fixed rate and variable rate water revenue bonds during the period from August 1999 to January 2000. An appropriation is required against which to charge expenses incurred and to be incurred in connection with the proposed debt sales.

Projected bond marketing expenses were developed from past experience and staff's best estimate of current costs for such services. It is recommended that the Board of Directors authorize Appropriation No. 15338 in the amount of \$613,000 from the General Fund to pay marketing expenses from the proposed sales of fixed rate and variable rate water revenue bonds. In order to maintain financial flexibility, the Board is being asked to authorize the reimbursement of such marketing expenses paid from the General Fund from bond proceeds, if deemed appropriate.

DETAILED REPORT

Projected bond marketing expenses were developed from past experience and staff's best estimate of current costs for such services. It is estimated that an appropriation in the amount of \$613,000

will be required for such expenditures. The following table provides a breakdown of the estimated expenditures:

Bond Counsel	\$ 90,000
Co-Bond Counsel	\$ 30,000
Disclosure Counsel	\$ 85,000
Moody's Investor's Service	\$ 70,000
Financial Advisory Services	\$ 20,000
Standard and Poor's Corporation	\$ 70,000
Typesetting, Printing, Mailing	\$ 90,000
Auditing Services	\$ 3,000
Surety Bond(s)	\$130,000
Miscellaneous	<u>\$ 25,000</u>
Total	\$613,000

A surety bond is included to provide the flexibility to use insurance in lieu of cash to satisfy the revenue bond reserve fund requirements for either the fixed rate debt or the variable rate debt.

The appropriation for this purpose will be designated as Appropriation No. 15338 "Marketing Expenses for the Sale of Water Revenue Bonds".

The contract with our financial advisor, O'Brien Partners, expired on June 30, 1999. We are currently in the Request for Proposal process to select a financial advisor. If, for any reason, the selection of the financial advisor is delayed beyond September 1999, it may be necessary to contract with O'Brien Partners for just these two sales. Funds have been included in the estimated expenditures for this purpose.

The actions recommended in this letter are exempt from the provisions of the California Environmental Quality Act because they constitute 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.

KRN:jg