

● **Board of Directors**
Budget and Finance Committee

May 17, 2000 Board Meeting

8-1

Subject

Appropriation No. 15353 - Costs Associated with the Sale of Water Revenue Bonds, and the Implementation of Proposed Financing Options to Reduce Metropolitan's Debt Service Costs

Description

By separate Board letter, the General Manager is recommending Board action to authorize the sale of water revenue bonds to finance Metropolitan's Capital Investment Program (formerly called the Capital Improvement Program), and to implement proposed financing options such as establishing a bond tender program, entering into an interest rate swap, cash defeasing certain Metropolitan bonds, and converting outstanding commercial paper notes (\$350 million) to variable rate water revenue bonds. A General Fund appropriation is required to charge expenses associated with these proposed transactions. It is the intent to reimburse expenses paid from the General Fund from bond proceeds, if deemed appropriate.

At its March 28, 2000, meeting, the Subcommittee on Financial Policies and Reporting authorized staff to proceed with the proposed financing options, subject to approval by the full board. Formal authorization to proceed was subsequently approved by the full Board at its April meeting. Projected cost of issuance expenses were developed from past experience and staff's best estimates of costs for such services.

It is estimated that an appropriation in the amount of \$1,205,000 will be needed to cover expenses associated with the proposed transactions. The following table provides a breakdown of the estimated expenses:

Bond Counsel	\$ 300,000
Co-Bond Counsel	\$ 150,000
Disclosure Counsel	\$ 150,000
Financial Advisors	\$ 30,000
Moody's Investor's Service	\$ 100,000
Standard and Poor's Corporation	\$ 100,000
Typesetting, Printing, Mailing	\$ 100,000
Tender Holders Report	\$ 15,000
Tender Notice \ Advertisement	\$ 60,000
Liquidity Fees	\$ 160,000
Trustee Fees	\$ 15,000
Miscellaneous	<u>\$ 25,000</u>
Total	<u>\$1,205,000</u>

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.

Policy

Board authority required to expend funds for such purpose.

Board Options/Fiscal Impacts

Option #1

Approve the General Fund appropriation against which to charge expenses associated with the sale of water revenue bonds and implementation of the proposed financing options to reduce debt service costs. Express the intent to reimburse expenses paid from the General Fund from bond proceeds, if deemed appropriate, 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.

Fiscal Impact: \$1,205,000

Option #2

Proceed with the sale of water revenue bonds to finance the Capital Investment Program, and certain financing options to reduce debt service costs as specified by the Board. Express the intent to reimburse expenses paid from the General Fund from bond proceeds, if deemed appropriate, 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.

Fiscal Impact: Vary depending on options chosen

Option #3

Do not proceed with the sale of water revenue bonds or any of the financing options described in this letter, thereby foregoing the need to establish an appropriation to fund such options.

Fiscal Impact: Current market opportunity for potential savings and funds to finance the Capital Investment Program may not be available.

Staff Recommendation

Option #1.



Antoinette Christovale
Acting Chief Financial Officer

4/24/2000
Date



Ronald R. Jester
General Manager

4/27/2000
Date