

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

January 9, 2001 Board Meeting

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**9-3**

**Subject**

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Adopt (1) Thirteenth Supplemental Resolution to the Master Revenue Bond Resolution authorizing the issuance of Water Revenue Bonds; (2) First Supplemental Resolution to Resolution 8386 to issue Waterworks General Obligation Refunding Bonds; and (3) authorize appropriation of \$925,000 to pay the costs of issuance

**Description**

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Over the past month, municipal interest rates have fallen by almost 50 basis points. As a result, Metropolitan may be able to refund outstanding Water Revenue Bonds and Waterworks General Obligation Bonds to help reduce debt service costs. In addition, long-term rates are approaching historical lows, and it may be a favorable environment to issue a portion of the new money bonds necessary to meet the Capital Investment Plan's (CIP) almost \$1 billion requirement over the next five years. If interest rates are low enough, it will be most efficient to issue new money water revenue and water revenue refunding bonds at the same time, helping to reduce financing costs and improve the efficiency of the escrow used to pay debt service for the refunded water revenue bonds.

In January 1993, the Board adopted Resolutions 8386 and 8387, which authorized the issuance from time to time of Waterworks General Obligation Refunding Bonds and Water Revenue Refunding Bonds, respectively. In addition, the resolutions authorized an Ad Hoc Committee (consisting of the Chairman of the Board, the Chairman of the Budget and Finance Committee, and the General Manager) to establish the terms of and negotiate the sale of the bonds, including the authority to set the size of the issue, determine the date of the sale, establish an underwriting team, and to sell the bonds to an underwriting syndicate through a negotiated process.

Metropolitan's existing refunding guidelines established through the adoption of the Long-range Finance Plan are:

- Current refundings must achieve at least 3 percent present value savings;
- Advance refundings must achieve at least 5 percent present value savings; and
- Synthetic (e.g., swaps) refundings must achieve at least 7 percent present value savings.

As of December 15, 2000, market conditions need to improve by about 10 basis points for Metropolitan to meet these refunding guidelines on at least \$100 million of outstanding water revenue bond debt. With continued improvement in the market, as much as \$625 million (comprised of \$500 million of Water Revenue Bonds and \$125 million of Waterworks General Obligation Bonds) of existing debt could be refinanced, with present value savings of about \$25 to \$28 million, and annual debt service savings of almost \$1 million.

Metropolitan needs to debt finance approximately \$1 billion in CIP expenditures over the next five years. In May 2000, the Board authorized the issuance of up to \$200 million of new money variable rate demand obligations to fund a portion of the CIP. In addition, the Board approved an increase in Metropolitan's variable rate debt capacity level up to 32 percent of total outstanding revenue bond debt. Given the 32 percent limitation, Metropolitan will need to fund some of these expenditures with fixed rate debt. As shown in [Attachment 1](#), long-term tax-exempt interest rates are approaching historical lows. With continued improvement in the market, it may be advantageous to issue long-term fixed rate bonds at these low rates, saving variable rate debt capacity for less favorable market conditions.

Depending on the timing of a financing, a new money issuance of water revenue bonds in conjunction with a refunding issue would be cost-effective for Metropolitan. By incorporating a portion of the financing as new money debt (the proceeds of which will be used to fund a portion of the CIP), Metropolitan may continue to lower

its overall cost of debt (Metropolitan's current cost of debt is 5.10 percent); realize refunding target levels by taking advantage of market opportunities; and avoid duplicative costs of issuance associated with separate financings. Any new money debt issued in conjunction with this refunding would be in addition to the prior Board authorization of May 2000. Prior to the issuance of any bonds indicated in this letter, staff will provide the Board for its review and comment, a substantially final draft of the Preliminary Official Statements regarding such bond issues.

In order to be prepared to take advantage of these low interest rates, three actions are necessary. First, the Board will need to adopt a supplemental resolution to Metropolitan's Master Revenue Bond Resolution providing the authority to issue \$100 million of Water Revenue Bonds. Second, the Board will need to adopt the supplemental resolution to Resolution 8386 to make certain technical amendments and to provide the ability to refund the Series H Waterworks General Obligation Bonds. Finally, the Board will need to approve an appropriation to pay the costs of issuance associated with these bond issues. Since the viability of these bond issues is driven by interest rates, it is requested that this authorization extend through January 31, 2002. If interest rates do not reach levels necessary to effect an economic transaction, the authorization will expire or be renewed by action of the Board one year from now.

It is estimated that an appropriation of \$925,000 from Metropolitan's General Fund will be required to fund the costs of issuance associated with this financing. The following table details the breakdown of estimated expenses:

Legal Fees	\$210,000
Bond Rating Agencies	200,000
Typesetting, Printing, Mailing	40,000
Escrow Agent	5,000
Verification Agent	5,000
Financial Advisory Services	100,000
Surety Bond	340,000
Contingency	<u>25,000</u>
Total	\$925,000

The appropriation will be designated Appropriation No. 15364. The Board is being asked to authorize reimbursement of expenses paid from the General Fund by 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.

## **Policy**

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A supplemental resolution of Metropolitan's Board of Directors is required to authorize a sale of Water Revenue Refunding Bonds and Water Revenue Bonds. A supplemental resolution to Resolution 8386 has been prepared in connection with the issuance of Waterworks General Obligation Refunding Bonds. Board authority is required to expend funds associated with the issuance of debt.

## **Board Options/Fiscal Impacts**

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### **Option #1**

Determine that the issuance of bonds recommended in this letter is exempt from the California Environmental Quality Act (CEQA) by Public Resources Code Section 21080(b)(8) since it is for the purpose of obtaining funds for capital projects necessary to maintain service within existing service areas; and, additionally, it is exempt from CEQA under State CEQA Guidelines 15378 (b)(5) since it constitutes the creation of government funding mechanisms which does not involve commitment to any specific project which may result in a potentially significant physical impact on the environment or which will be used to fund projects

which have CEQA documentation or which will have CEQA documentation in place prior to construction of any facility or facilities.

Approval of the form of supplemental resolution (**Attachment 2**) of the Master Revenue Bond Resolution in order to execute the proposed sale of up to \$100 million of Water Revenue Bonds. Approval of the First Supplemental Resolution to Resolution 8386 (**Attachment 3**) to negotiate the sale of up to \$125 million of Waterworks General Obligation Refunding Bonds. Each of the supplemental resolutions will expire on January 31, 2002. Approve General Fund Appropriation No. 15364 against which to charge expenses associated with the sale of bonds. Express 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:** Potential present value debt service savings of approximately \$25 to \$28 million. Potential increase of approximately \$6 million of annual debt service payments for new money water revenue bonds. Estimated cost of issuance of \$925,000.

#### Option #2

Determine that the issuance of bonds recommended in this letter is exempt from the California Environmental Quality Act (CEQA) by Public Resources Code Section 21080(b)(8) since it is for the purpose of obtaining funds for capital projects necessary to maintain service within existing service areas; and, additionally, it is exempt from CEQA under State CEQA Guidelines 15378 (b)(5) since it constitutes the creation of government funding mechanisms which does not involve commitment to any specific project which may result in a potentially significant physical impact on the environment or which will be used to fund projects which have CEQA documentation or which will have CEQA documentation in place prior to construction of any facility or facilities.

Approval of supplemental resolution to Resolution 8386 (**Attachment 3**) to negotiate the sale of up to \$125 million of Waterworks General Obligation Refunding Bonds. Each of the supplemental resolutions will expire on January 31, 2002. Approve General Fund Appropriation No. 15364 against which to charge expenses associated with the sale of bonds. Express 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:** Potential present value debt service savings of approximately \$25 to \$28 million. Estimated cost of issuance of \$925,000.

#### Option #3


Require staff to continue to monitor the tax-exempt municipal bond market, and seek Board authorization for a debt refunding at a future date.

**Fiscal Impact:** Metropolitan may not be able to take advantage of favorable market conditions to reduce debt service costs (up to \$25 million on a present value basis).


**Staff Recommendation**

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Option #1

  
\_\_\_\_\_  
Brian G. Thomas  
Chief Financial Officer

12/27/2000  
Date

  
\_\_\_\_\_  
Ronald R. Jester  
General Manager

12/27/2000  
Date

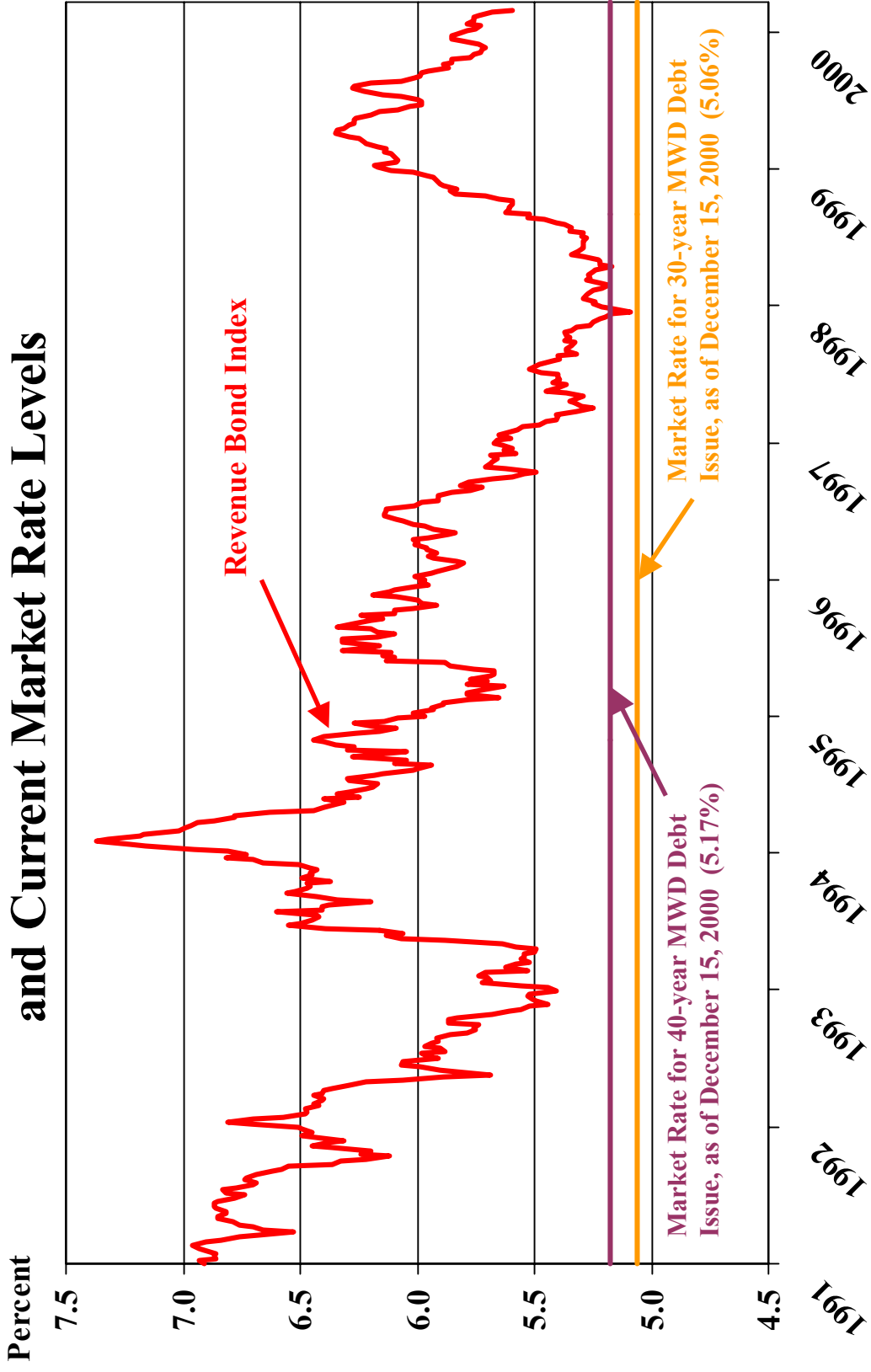
[Attachment 1](#)

[Attachment 2](#)

[Attachment 3](#)

BLA #769

## Bond Buyer Revenue Bond Index (RBI) and Current Market Rate Levels



THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

RESOLUTION \_\_\_\_\_

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
AUTHORIZING THE ISSUANCE OF NOT TO EXCEED  
\$100,000,000 OF WATER REVENUE BONDS  
AND PROVIDING THE TERMS AND CONDITIONS OF SAID BONDS  
(THIRTEENTH SUPPLEMENTAL RESOLUTION)

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THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA

RESOLUTION \_\_\_\_\_

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RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
AUTHORIZING THE ISSUANCE OF NOT TO EXCEED  
\$100,000,000 OF WATER REVENUE BONDS  
AND PROVIDING THE TERMS AND CONDITIONS OF SAID BONDS  
(THIRTEENTH SUPPLEMENTAL RESOLUTION)

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WHEREAS, pursuant to the Act (as defined in the hereinafter defined Master Resolution), the Board of Directors 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 (as heretofore and as hereby amended and supplemented, 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; and

WHEREAS, the public interest and necessity require the District to proceed under the Master Resolution and issue and sell Water Revenue Bonds, 2001 Series A (the "2001 Series A Bonds") in an aggregate principal amount not to exceed \$100,000,000 secured by and payable from the Net Operating Revenues for the purpose of, among other things, paying the costs of acquisition, construction and improvements to the Water System (as defined in the Master Resolution);

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

## ARTICLE I

### AUTHORIZATION OF BONDS; DEFINITIONS

**SECTION 1.01. Supplemental Resolution; Determinations.** This Thirteenth Supplemental Resolution (this “Thirteenth Supplemental Resolution”) is adopted in accordance with the provisions of the Master Resolution. The District hereby determines that the issuance of the 2001 Series A Bonds is financially advantageous.

**SECTION 1.02. Definitions.** All terms which are defined in Section 1.01 of the Master Resolution shall, unless otherwise defined herein, have the same meanings, respectively, in this Thirteenth Supplemental Resolution. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Thirteenth 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. Unless otherwise defined in this Thirteenth Supplemental Resolution, all terms used herein shall have the meanings assigned to such terms by the Act.

“2001 Series A Bond Reserve Requirement” means, subject to the provisions of this Thirteenth Supplemental Resolution permitting deposit of a Reserve Fund Credit Policy, the amount to be deposited in the 2001 Series A Reserve Fund, which shall be set forth in the terms of the Bond Purchase Contract pursuant to the terms of Article V hereof.

“2001 Series A Bonds” means the Bonds described in Section 2.01 hereof, authorized and issued pursuant to the Master Resolution, as supplemented by this Thirteenth Supplemental Resolution.

“2001 Series A Construction Fund” means the Water Revenue Bonds 2001 Series A Construction Fund established pursuant to Section 3.03 hereof.

“2001 Series A Costs of Issuance Fund” means the Water Revenue Bonds 2001 Series A Costs of Issuance Fund established pursuant to Section 3.02 hereof.

“2001 Series A Excess Earnings Fund” means the Water Revenue Bonds 2001 Series A Excess Earnings Fund established pursuant to Section 3.05 hereof.

“2001 Series A Reserve Fund” means the Water Revenue Bonds 2001 Series A Reserve Fund established pursuant to Section 3.04 hereof.

“Ad Hoc Committee” has the meaning set forth in Section 5.01 hereof.

“Authorized Denominations” means, with respect to the 2001 Series A Bonds, \$5,000 and integral multiples thereof.

“Bond Purchase Contract” means that certain bond purchase contract or other agreement for the purchase of 2001 Series A Bonds between the District and the Underwriters.

“Code” means the Internal Revenue Code of 1986, as amended.

“Construction Costs” means the cost of acquiring, constructing, reconstructing, replacing, extending and improving the Water System and any facilities related thereto.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate of the District delivered in connection with the issuance of the 2001 Series A Bonds.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, execution, sale and delivery of the 2001 Series A Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiscal Agent or paying agent, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of the 2001 Series A Bonds, and any other cost, charge or fee in connection with the delivery of the 2001 Series A Bonds.

“DTC” means the Depository Trust Company, New York, New York, and its successors and assigns.

“Fiscal Agent” means the fiscal agent appointed pursuant to Section 4.01.

“Master Resolution” means Resolution 8329 adopted by the District on July 9, 1991, as amended and supplemented.

“Nominee” means the nominee of the Securities Depository, which may be the Securities Depository, as determined from time to time pursuant hereto.

“Participants” means those broker-dealers, banks and other financial institutions for which the Securities Depository holds certificates as securities depository.

“Record Date” means, with respect to the 2001 Series A Bonds, the close of business on the fifteenth (15th) day of each month preceding an interest payment date.

“Representation Letter” means a representation letter from the District to the Securities Depository as described in Section 2.09 hereof.

“Reserve Fund Credit Policy” means an insurance policy, surety bond, letter of credit or other credit facility deposited with the Fiscal Agent pursuant to Section 3.04(D) hereof.

“Securities Depository” means the Securities Depository acting as such hereunder and which may be the District.

“Tax and Nonarbitrage Certificate” means the Tax and Nonarbitrage Certificate of the District delivered in connection with the issuance of the 2001 Series A Bonds.

“Thirteenth Supplemental Resolution” means this resolution of the District, and any amendments, modifications or supplements hereto.

“Underwriters” means the original purchaser or purchasers of the 2001 Series A Bonds.

## ARTICLE II

### THE 2001 SERIES A BONDS

**SECTION 2.01. Authorization.** There is hereby authorized to be issued a Series of Bonds issued pursuant to the Act and under the Master Resolution, which Bonds shall be Current Interest Bonds designated as “The Metropolitan Water District of Southern California Water Revenue Bonds, 2001 Series A” or such other designation as the Ad Hoc Committee shall determine. The 2001 Series A Bonds shall be issued in the aggregate principal amount not to exceed \$100,000,000.

**SECTION 2.02. Terms of the 2001 Series A Bonds.** The 2001 Series A Bonds shall be delivered in fully registered form only in Authorized Denominations, and shall be numbered in such manner as the Fiscal Agent determines. The 2001 Series A Bonds shall be issued in the aggregate principal amount, shall be dated such date and bear interest from such dated date, shall consist of Series Bonds and/or Term Bonds, and shall mature on the dates and in the principal amounts, all as determined by the Ad Hoc Committee pursuant to Article V hereof, and as so designated in the Bond Purchase Contract.

**SECTION 2.03. Interest.** The 2001 Series A Bonds shall bear interest at the rates to be determined by the Ad Hoc Committee pursuant to Article V (calculated on the basis of a 360-day year consisting of twelve 30-day months), which shall be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2001, or such other date as the Ad Hoc Committee shall determine pursuant to Article V hereof. Each 2001 Series A Bond shall bear interest from the interest payment date before the date of authentication thereof unless it is authenticated during the period after a Record Date but on or before the next interest payment date, in which event it shall bear interest from that interest payment date, or unless it is authenticated prior to the first Record Date, in which event it shall bear interest from the dated date of the 2001 Series A Bonds, or unless at the time of authentication interest is in default, in which event it shall bear interest from the interest payment date to which interest has been paid or provided for.

Each 2001 Series A Bond shall bear interest until the principal sum thereof has been paid; provided, however, that if at the maturity date of any 2001 Series A Bond or if on the redemption date thereof if the same has been fully called for redemption, in each case, funds are available for the payment thereof in full in accordance with the terms of Article IX of the Master Resolution, such 2001 Series A Bond shall then cease to bear interest.

**SECTION 2.04. Place of Payment.** Subject to Section 2.08 hereof, for so long as the Treasurer is the Fiscal Agent, the principal of the 2001 Series A Bonds shall be payable in lawful money of the United States of America upon presentation and surrender of such 2001 Series A Bonds at the corporate office of the District. Interest on the 2001 Series A Bonds shall be paid by check or draft mailed by first class mail to the persons whose names appear on the registration books of the Fiscal Agent as the registered Owners of such 2001 Series A Bonds as

of the close of business on the Record Date at such persons' addresses as they appear on such registration books, except that an Owner of \$1,000,000 or more in principal amount of 2001 Series A Bonds may be paid interest by wire transfer to an account in the United States if such Owner makes a written request of the Fiscal Agent at least thirty (30) days preceding any interest payment date specifying the wire transfer instructions for such Owner. Such notice may provide that it will remain in effect for later interest payments until changed or revoked by another written notice. Payments of default interest shall be paid by check, draft or wire transfer to the Owners as of a special record date to be fixed by the Fiscal Agent, notice of which special record date shall be given to the Owners by the Fiscal Agent not less than ten (10) days prior thereto.

**SECTION 2.05. Redemption.**

(A) Optional Redemption. The 2001 Series A Bonds shall be subject to call and redemption prior to maturity, at the option of the District, in the amounts, at the redemption prices and on the dates set forth in the Bond Purchase Contract.

(B) Mandatory Sinking Account Payments. The 2001 Series A Bonds which are Term Bonds, if any, shall be called before maturity and redeemed at a redemption price equal to the par amount thereof from Mandatory Sinking Account Payments which have been deposited in the Bond Service Fund, in the amounts and upon the dates established for each such maturity, as set forth in the Bond Purchase Contract.

(C) Disposition of Redemption Rights. The Bond Purchase Contract may contain provisions with respect to the sale or disposition of the right of the District to redeem the 2001 Series A Bonds.

**SECTION 2.06. Form of 2001 Series A Bonds.** Except as otherwise provided in the Bond Purchase Contract, the 2001 Series A Bonds shall be issued in substantially the form set forth in Exhibit A hereto, which exhibit is incorporated herein by this reference as if set forth in full.

**SECTION 2.07. CUSIP Identification Numbers.** CUSIP identification numbers shall be ordered by the Underwriters and caused by the District to be printed on the 2001 Series A Bonds, but such numbers shall not be deemed a part of the 2001 Series A Bonds or a part of the contract evidenced thereby and no liability shall attach to the District or its officers, employees or agents because of or on account of such CUSIP identification numbers.

**SECTION 2.08. Book-Entry System.** The 2001 Series A Bonds shall be initially issued in the form of a single, separate, fully registered 2001 Series A Bond (which may be typewritten) for each of the maturities of the 2001 Series A Bonds. Upon initial issuance, the ownership of each such 2001 Series A Bond shall be registered in the Bond Register of the Fiscal Agent in the name of Cede & Co., as nominee of the Securities Depository. Except as provided in Section 2.10 hereof, the ownership of each Outstanding 2001 Series A Bond shall be registered in the Bond Register of the Fiscal Agent in the name of the Nominee.

With respect to the 2001 Series A Bonds registered in the Bond Register of the Fiscal Agent in the name of the Nominee, the District and the Fiscal Agent shall have no responsibility or obligation to any such Participant or to any person on behalf of which such a

Participant holds an interest in the 2001 Series A Bonds. Without limiting the immediately preceding sentence, the District and the Fiscal Agent shall have no responsibility or obligation (unless the Fiscal Agent is at such time the Securities Depository) with respect to (i) the accuracy of the records of the Securities Depository, the Nominee or any Participant with respect to any ownership interest in the 2001 Series A Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond Register of the Fiscal Agent, of any notice with respect to the 2001 Series A Bonds, or (iii) the payment to any Participant or any other person, other than an Owner as shown in the Bond Register of the Fiscal Agent, of any amount with respect to principal of or interest and premium, if any, on the 2001 Series A Bonds. The District and the Fiscal Agent may treat and consider the person in whose name each 2001 Series A Bond is registered in the Bond Register of the Fiscal Agent as the holder and absolute Owner of such 2001 Series A Bond for the purpose of payment of principal and interest on such 2001 Series A Bond, for the purpose of giving notices and other matters with respect to such 2001 Series A Bond, and for all other purposes whatsoever.

The Fiscal Agent shall pay all principal of and interest on the 2001 Series A Bonds only to or upon the order of the respective Owners, as shown in the Bond Register of the Fiscal Agent, or their respective attorneys, duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations hereunder with respect to the payment of principal of and interest on the 2001 Series A Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register of the Fiscal Agent, shall receive a 2001 Series A Bond evidencing the obligation to make payments of principal and interest and premium, if any, pursuant to this Thirteenth Supplemental Resolution. Upon delivery by the Securities Depository to the Fiscal Agent and the District of written notice to the effect that the Securities Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Thirteenth Supplemental Resolution shall refer to such new nominee of the Securities Depository.

**SECTION 2.09. Representation Letter.** In order to qualify the 2001 Series A Bonds for the Securities Depository's book-entry system, the Authorized Representative is hereby authorized to execute and deliver on behalf of the District to such Securities Depository a letter from the District representing such matters as shall be necessary to so qualify the 2001 Series A Bonds (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.08 hereof or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the 2001 Series A Bonds other than the Owners, as shown on the Bond Register of the Fiscal Agent. In the Representation Letter, the Fiscal Agent shall agree to take all actions necessary to comply with all representations of the District in the Representation Letter. In addition to the execution and delivery of the Representation Letter, each Authorized Representative of the District is hereby authorized to take any other actions, not inconsistent with this Thirteenth Supplemental Resolution, to qualify the 2001 Series A Bonds for the Securities Depository's book-entry program.

**SECTION 2.10. Transfers Outside Book-Entry System.** In the event (i) the Securities Depository determines not to continue to act as securities depository for the 2001 Series A Bonds, or (ii) the District determines that the Securities Depository shall no longer so

act and delivers a written certificate to the Fiscal Agent to that effect, then the District will discontinue the book-entry system with the Securities Depository. If the District determines to replace the Securities Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new, single, separate, fully registered 2001 Series A Bond for each of the maturities of the 2001 Series A Bonds, registered in the name of such successor or substitute qualified securities depository or its nominee, or make such other arrangement acceptable to the District and the Securities Depository as are not inconsistent with the terms of this Thirteenth Supplemental Resolution. If the District fails to identify another qualified securities depository to replace the Securities Depository, then the 2001 Series A Bonds shall no longer be restricted to being registered in the Bond Register of the Fiscal Agent in the name of the Nominee, but shall be registered in whatever name or names the Participants transferring or exchanging 2001 Series A Bonds shall designate, in accordance with the provisions of Article II of the Master Resolution.

**SECTION 2.11. Payments and Notices to the Nominee.** Notwithstanding any other provision of this Thirteenth Supplemental Resolution to the contrary, so long as any 2001 Series A Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such 2001 Series A Bond and all notices with respect to such 2001 Series A Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Securities Depository.

**SECTION 2.12. Initial Depository and Nominee.** The initial Securities Depository under this Thirteenth Supplemental Resolution shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

### ARTICLE III

#### APPLICATION OF BOND PROCEEDS; ESTABLISHMENT OF FUNDS; COVENANTS

**SECTION 3.01. Application of Proceeds of 2001 Series A Bonds.** The proceeds of the sale of the 2001 Series A Bonds and such other moneys as are available and necessary to accomplish the purposes of this Thirteenth Supplemental Resolution from time to time shall be deposited with the Treasurer and shall be held in trust and, unless otherwise specified in a Certificate of an Authorized Representative, shall be set aside by the Treasurer as follows:

- (a) The Treasurer shall deposit in the Bond Service Fund the amount of such proceeds representing interest accrued, if any, on the 2001 Series A Bonds to the date of delivery thereof.
- (b) Subject to the provisions of this Thirteenth Supplemental Resolution permitting deposit of a Reserve Fund Credit Policy, the Treasurer shall deposit in the 2001 Series A Reserve Fund an amount equal to the 2001 Series A Bond Reserve Requirement.

(c) The Treasurer shall deposit in the 2001 Series A Costs of Issuance Fund the amount of such proceeds necessary to pay all Costs of Issuance that are not to be paid from other sources.

(d) The remaining proceeds shall be deposited in the 2001 Series A Construction Fund.

**SECTION 3.02. Establishment and Application of 2001 Series A Costs of Issuance Fund.**

(A) The District shall establish, and the Treasurer shall maintain and hold in trust a separate fund designated as the “Water Revenue Bonds 2001 Series A Costs of Issuance Fund” or such other designation as the Ad Hoc Committee shall determine. The moneys in the 2001 Series A Costs of Issuance Fund shall be used and withdrawn by the Treasurer to pay Costs of Issuance. All investment earnings on funds held in the 2001 Series A Costs of Issuance Fund shall be credited to such fund unless otherwise specified in a Certificate of an Authorized Representative.

(B) The Treasurer shall keep a record of all payments from the 2001 Series A Costs of Issuance Fund, which record shall state: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the District in the case of reimbursement for costs theretofore paid by the District; and (iii) the purpose by general classification for which each obligation to be paid was incurred.

**SECTION 3.03. Establishment and Application of 2001 Series A Construction Fund.**

(A) The District shall establish, and the Treasurer shall maintain and hold in trust a separate fund designated as the “Water Revenue Bonds 2001 Series A Construction Fund” or such other designation as the Ad Hoc Committee shall determine. The moneys in the 2001 Series A Construction Fund shall be used and withdrawn by the Treasurer to pay Construction Costs. All investment earnings on funds held in the 2001 Series A Construction Fund shall be credited to such fund unless otherwise specified in a Certificate of an Authorized Representative.

(B) The Treasurer shall keep a record of all payments from the 2001 Series A Construction Fund, which record shall state: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the District in the case of reimbursement for costs theretofore paid by the District; and (iii) the purpose by general classification for which each obligation to be paid was incurred.

**SECTION 3.04. Establishment, Pledge, Funding and Application of 2001 Series A Reserve Fund.**

(A) The District shall establish and the Treasurer shall maintain and hold in trust a separate fund designated as the “Water Revenue Bonds 2001 Series A Reserve Fund” or such other designation as the Ad Hoc Committee shall determine. The 2001 Series A Reserve Fund shall be funded as set forth in Section 3.01 hereof and applied as set forth in this Section 3.04. All amounts held by the Treasurer in the 2001 Series A Reserve Fund shall be pledged to



secure the payment of the principal of and interest on the 2001 Series A Bonds in accordance with their terms.

(B) The District shall at all times maintain an amount equal to the 2001 Series A Bond Reserve Requirement in the 2001 Series A Reserve Fund until the 2001 Series A Bonds are discharged in accordance with the provisions of Article IX of the Master Resolution. In the event of any deficiency in the 2001 Series A Reserve Fund, the Treasurer shall replenish such deficiency in accordance with the provisions of Section 5.07 of the Master Resolution.

(C) All amounts in the 2001 Series A Reserve Fund shall be used and withdrawn by the Treasurer, as hereinafter provided, solely for the purpose of (i) paying principal of and interest on the 2001 Series A Bonds in the event moneys in the Bond Service Fund are insufficient, or (ii) for the payment of the final principal and interest payment on the 2001 Series A Bonds. Any amounts in the 2001 Series A Reserve Fund in excess of the 2001 Series A Bond Reserve Requirement shall be transferred to the Bond Service Fund unless otherwise specified in a Certificate of an Authorized Representative.

All Authorized Investments credited to the 2001 Series A Reserve Fund shall be valued as of June 30 of each year (or the next preceding or succeeding Business Day, as determined by the District, if such day is not a Business Day) at their fair market value determined to the extent practical by reference to the closing bid price thereof published in The Wall Street Journal or any other financial publication or quotation service selected by the Treasurer at his or her discretion.

(D) Notwithstanding anything herein to the contrary, at the option of the District, amounts required to be held in the 2001 Series A Reserve Fund may be substituted, in whole or in part, by the deposit with the Fiscal Agent of a Reserve Fund Credit Policy in a stated amount equal to the amounts so substituted, provided that prior to the substitution of such Reserve Fund Credit Policy the Rating Agencies shall have been notified of such proposed substitution and the substitution shall not result in a downgrading or withdrawal of any rating of the 2001 Series A Bonds then in effect by the Rating Agencies. Any such substituted moneys shall be applied as provided in a Certificate of an Authorized Representative.

So long as a Reserve Fund Credit Policy shall be in force and effect with respect to the 2001 Series A Bonds, any deposits required to be made with respect to the 2001 Series A Reserve Fund pursuant to Section 5.07 of the Master Resolution shall include any amounts due to the provider of such Reserve Fund Credit Policy resulting from a draw on such Reserve Fund Credit Policy (which amounts shall constitute a "deficiency" or "withdrawal" from the 2001 Series A Reserve Fund within the meaning of Section 5.07 of the Master Resolution). Any such amounts shall be paid to the provider of such Reserve Fund Credit Policy as provided in such Reserve Fund Credit Policy or any related agreement.

**SECTION 3.05. Establishment and Application of 2001 Series A Excess Earnings Fund.** To ensure proper compliance with the tax covenants contained in Section 3.06 hereof, the District shall establish and the Treasurer maintain a fund separate from any other fund or account established and maintained hereunder or under the Master Resolution designated as the "Water Revenue Bonds 2001 Series A Excess Earnings Fund" or such other designation as

the Ad Hoc Committee shall determine. All money at any time deposited in the 2001 Series A Excess Earnings Fund in accordance with the provisions of the Tax and Nonarbitrage Certificate shall be held by the Treasurer for the account of the District in trust for payment to the federal government of the United States of America, and neither the District nor the Owner of any 2001 Series A Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the 2001 Series A Excess Earnings Fund shall be governed by this Thirteenth Supplemental Resolution and by the Tax and Nonarbitrage Certificate. The Treasurer shall invest all amounts held in the 2001 Series A Excess Earnings Fund in accordance with the Tax and Nonarbitrage Certificate. Money shall not be transferred from the 2001 Series A Excess Earnings Fund except in accordance with the Tax and Nonarbitrage Certificate.

**SECTION 3.06. Tax Covenants.** In order to maintain the exclusion from gross income of the interest on the 2001 Series A Bonds for federal income tax purposes, the District covenants to comply with each applicable requirement of section 103 and sections 141 through 150 of the Code and the District agrees to comply with the covenants contained in, and the instructions given pursuant to, the Tax and Nonarbitrage Certificate which by this reference is incorporated herein, as a source of guidance for compliance with such provisions.

Notwithstanding any other provisions of the Master Resolution or this Thirteenth Supplemental Resolution to the contrary, upon the District's failure to observe, or refusal to comply with, the foregoing covenant, no Person other than the Owners of the 2001 Series A Bonds shall be entitled to exercise any right or remedy provided to the Owners under the Master Resolution or this Thirteenth Supplemental Resolution on the basis of the District's failure to observe, or refusal to comply with, such covenant.

#### **ARTICLE IV**

##### **FISCAL AGENT AND PAYING AGENT**

**SECTION 4.01. Fiscal Agent and Paying Agent.** The Treasurer is hereby appointed as Fiscal Agent with respect to the 2001 Series A Bonds.

#### **ARTICLE V**

##### **SALE OF 2001 SERIES A BONDS; APPROVAL OF BOND PURCHASE CONTRACT**

**SECTION 5.01. Ad Hoc Committee.** The Chairman of the Board, or in the event of a vacancy, the Acting Chairman of the Board, the Chairman of the Budget and Finance Committee of the Board (or in the event the Budget and Finance Committee is renamed, dissolved, or reorganized, such other committee of the Board which shall have substantially all of the duties of the Budget and Finance Committee prior to such renaming, dissolution, or reorganization), or in the event of a vacancy, the Acting Chairman of the Budget and Finance Committee of the Board (or in the event the Budget and Finance Committee is renamed, dissolved, or reorganized, such other committee of the Board which shall have substantially all of the duties of the Budget and Finance Committee prior to such renaming, dissolution, or reorganization), and the General Manager or his or her designee, or in the event of a vacancy, the

Acting General Manager or his or her designee, acting jointly, are hereby constituted an ad hoc committee (the "Ad Hoc Committee"). The Board hereby authorizes the Ad Hoc Committee to take any action authorized in this Thirteenth Supplemental Resolution so long as a majority of its members shall agree that such action is in the best interests of the District. In addition, the Ad Hoc Committee, in writing, may delegate to one of its members the authority to approve or execute and deliver on behalf of the District certain documents relating to the 2001 Series A Bonds. Upon written delegation of such authority by the Ad Hoc Committee to one of its members, the action of such member shall have the same effect to bind the District as an action of the entire Ad Hoc Committee.

**SECTION 5.02. Approval of Bond Purchase Contract.** The Ad Hoc Committee is authorized, empowered and directed to determine on behalf of the District the team of Underwriters to underwrite the 2001 Series A Bonds, the aggregate principal amount, terms and conditions of the 2001 Series A Bonds, and the terms and conditions of the sale of the 2001 Series A Bonds at a private, negotiated sale to such Underwriters as the members of the Ad Hoc Committee shall agree upon in their sole discretion as being in the best interests of the District, subject only to the provisions of the Act and of this Thirteenth Supplemental Resolution, and shall be so empowered to implement the fundamental policies established by this Thirteenth Supplemental Resolution in a manner that is most advantageous to the District, and to deem the official statement relating to the 2001 Series A Bonds as being final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended; provided, however, that such authorization shall expire on January 31, 2002 unless otherwise directed by the Board.

Such aggregate principal amount, terms and conditions of the 2001 Series A Bonds and the terms and conditions of their sale shall be set forth in the Bond Purchase Contract. Such terms and conditions as so set forth, together with the other terms and conditions of the 2001 Series A Bonds set forth in this Thirteenth Supplemental Resolution, shall, upon execution and delivery of the Bond Purchase Contract by the Ad Hoc Committee, or its designee, on behalf of the District, be all the terms and conditions of the 2001 Series A Bonds, as if all such terms and conditions were fully set forth in this Thirteenth Supplemental Resolution.

The provisions of the Bond Purchase Contract pertaining to the terms of the 2001 Series A Bonds are hereby incorporated by reference into this Thirteenth Supplemental Resolution with the same force and effect as if set forth herein.

The Board hereby finds and determines that the interests of the District and the public interest and necessity require that the provisions of Section 225 and of Section 226 of the Act be waived.

The Ad Hoc Committee shall file a report concerning its actions pursuant to this Thirteenth Supplemental Resolution with the Board along with a copy of the Bond Purchase Contract. The Executive Secretary of the District shall maintain true and correct copies of such documents in the files of the District.

**SECTION 5.03. Further Action.** The Chairman of the Board, the Secretary of the Board, the General Manager, the General Counsel, the Chief Financial Officer, the Treasurer

and the Controller of the District shall be and each of them is hereby authorized, empowered and directed to execute such other documents in addition to those enumerated herein and take such other actions as they deem necessary or advisable in order to carry out and perform the purposes of this Thirteenth Supplemental Resolution. Without limitation of the foregoing, the General Counsel of the District is hereby authorized, empowered and directed, without the necessity of any further Board action or approval, to amend and supplement Section 5200 of Division V of Chapter 2 of The Metropolitan Water District Administrative Code to provide for the establishment of the funds created hereunder and under any Supplemental Resolution previously adopted by the Board with respect to the issuance of its water revenue bonds.

## ARTICLE VI

### UNDERTAKINGS

**SECTION 6.01. Municipal Securities Disclosure.** The District hereby agrees to provide or cause to be provided certain annual financial information and notices of certain material events to the extent required by Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (as amended from time to time) with respect to the 2001 Series A Bonds in accordance with the terms of the Continuing Disclosure Certificate.

**SECTION 6.02. Default.** A default under Section 6.01 hereof shall not be deemed an Event of Default under the Master Resolution. The sole remedy in the event of any failure of the District to comply with Section 6.01 hereof shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

**SECTION 6.03. Amendment.** This Article VI may be amended, supplemented, modified or deleted, from time to time and at any time, as the District may determine without the consent of any Owner of the 2001 Series A Bonds.

## ARTICLE VII

### MISCELLANEOUS

**SECTION 7.01. 2001 Series A Bonds Subject to Master Resolution.** Except as expressly provided in this Thirteenth Supplemental Resolution, every term and condition contained in the Master Resolution shall apply to this Thirteenth Supplemental Resolution and to the 2001 Series A Bonds with the same force and effect as if it were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Thirteenth Supplemental Resolution.

**SECTION 7.02. Severability of Invalid Provisions.** If any one or more of the provisions contained in this Thirteenth Supplemental Resolution or in the 2001 Series A Bonds 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 Thirteenth Supplemental Resolution and such invalidity, illegality or unenforceability shall

not affect any other provision of this Thirteenth Supplemental Resolution, and this Thirteenth 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 Thirteenth Supplemental Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2001 Series A Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Thirteenth Supplemental Resolution may be held illegal, invalid or unenforceable.

**SECTION 7.03. 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 Thirteenth Supplemental Resolution.

All references herein to "Article," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Thirteenth Supplemental Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Thirteenth Supplemental Resolution as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

**SECTION 7.04. Governing Law.** This Thirteenth 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 a two-thirds (2/3) vote of the total vote of the Board of Directors of The Metropolitan Water District of Southern California at its meeting held on January 9, 2001.

---

Executive Secretary  
The Metropolitan Water District of  
Southern California

**EXHIBIT A**

**FORM OF 2001 SERIES A BOND**

UNITED STATES OF AMERICA

No. \_\_\_\_\_

\$ \_\_\_\_\_

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
WATER REVENUE BONDS, 2001 SERIES A

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY (AS DEFINED IN THE MASTER RESOLUTION) TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP #
____%	July 1, ____	_____, 2001	_____

REGISTERED OWNER: \*\*\*\*\* CEDE & CO.\*\*\*\*\*

PRINCIPAL AMOUNT: \_\_\_\_\_ (\$ \_\_\_\_\_ )

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, FOR VALUE RECEIVED, hereby promises to pay, solely from Net Operating Revenues, as hereinafter provided, to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest (calculated on the basis of a 360-day year consisting of twelve 30-day months) on such principal amount from the interest payment date before the date of authentication hereof (unless this 2001 Series A Bond is authenticated during the period after a record date but on or before the next interest payment date, in which event this 2001 Series A Bond shall bear interest from that interest payment date, or unless this 2001 Series A Bond is authenticated prior to the first record date, in which event this 2001 Series A Bond shall bear interest from \_\_\_\_\_, 2001 or unless at the time of authentication interest is in default, in

which event it shall bear interest from the interest payment date to which interest has been paid or provided for), semi-annually on January 1 and July 1 of each year, commencing \_\_\_\_\_ 1, 2001 at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. For so long as the Treasurer of the District is the Fiscal Agent (the "Fiscal Agent"), the principal of this 2001 Series A Bond is payable to the registered holder hereof in lawful money of the United States of America upon presentation and surrender of this 2001 Series A Bond at the corporate office of the Treasurer of the District. Interest on this 2001 Series A Bond shall be paid by check or draft of the Fiscal Agent mailed by first class mail to the registered holder hereof as of the close of business on the 15th day of the month immediately preceding an interest payment date (a "record date") at such registered holder's address as it appears on the registration books maintained by the Fiscal Agent, except that a registered holder of \$1,000,000 or more in principal amount of the 2001 Series A Bonds may be paid interest by wire transfer to an account in the United States if such registered owner makes a written request of the Fiscal Agent at least 30 days preceding any interest payment date specifying the wire transfer instructions for such registered owner. Such notice may provide that it will remain in effect for later interest payments until changed or revoked by another written notice.

This 2001 Series A Bond is one of a duly authorized issue of "The Metropolitan Water District of Southern California Water Revenue Bonds, 2001 Series A" (the "2001 Series A Bonds") issued in the aggregate principal amount of \$\_\_\_\_\_ pursuant to the Metropolitan Water District Act, California Statutes 1969, Chapter 209, as amended and supplemented (the "Act"), Resolution 8329 of the District adopted on July 9, 1991 (as amended and supplemented, the "Master Resolution") and Resolution \_\_\_\_\_ adopted by the District on January 9, 2001 (the "Thirteenth Supplemental Resolution"; the Master Resolution as supplemented by the Thirteenth Supplemental Resolution is referred to herein as the "Resolution"). Reference is hereby made to the Master Resolution, the Thirteenth Supplemental Resolution and to the Act for a description of the terms on which the 2001 Series A Bonds are issued and to be issued, the provisions with regard to the nature and extent of the Net Operating Revenues (as defined in the Master Resolution), and all of the terms of the Resolution and the Act are hereby incorporated herein and constitute a contract between the District and the registered owner from time to time of this 2001 Series A Bond, and by acceptance hereof the registered holder of this 2001 Series A Bond assents to said terms and conditions. The Resolution is adopted under, and this 2001 Series A Bond is issued under, and all are to be construed in accordance with, the laws of the State of California.

This 2001 Series A Bond is special limited obligation of the District payable from and secured by a pledge of and a lien and charge upon the Net Operating Revenues on a parity with all Bonds and all other debt issued or incurred and payable from Net Operating Revenues on a parity with the Bonds. The principal of, premium (if any) and interest on this 2001 Series A Bond is not a debt of the District, nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Operating Revenues. The general fund of the District is not liable for the payment of the 2001 Series A Bonds or their interest, nor is the credit or the taxing power of the District or the forfeiture of any of its property available for the payment of this 2001 Series A Bond or any interest hereon.

The 2001 Series A Bonds are payable as to both principal and interest exclusively from the Net Operating Revenues and other funds pledged under the Master Resolution and the Thirteenth Supplemental Resolution.

This 2001 Series A Bond is one of the 2001 Series A Bonds described in the Resolution.

[Redemption provisions to be inserted]

This 2001 Series A Bond may be transferred without charge upon the registration books required to be kept by the Fiscal Agent, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of this 2001 Series A Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Fiscal Agent. Whenever any 2001 Series A Bond is surrendered for transfer, the District shall execute and the Fiscal Agent shall authenticate and deliver a new 2001 Series A Bond or Bonds, of the same tenor and maturity and for a like aggregate principal amount. This 2001 Series A Bond may be exchanged without charge at the office of the Fiscal Agent in Los Angeles, California for 2001 Series A Bonds of authorized denominations having the same aggregate principal amount, tenor and maturity. The Fiscal Agent need not transfer registration or exchange any 2001 Series A Bond later than 15 days prior to the date of selection of 2001 Series A Bonds or any portion thereof for redemption. The Fiscal Agent may require the holder of any 2001 Series A Bond requesting transfer of registration or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer of registration or exchange.

The rights and obligations of the District, the Fiscal Agent and of the owners of the 2001 Series A Bonds may be modified or amended from time to time in the manner, to the extent and upon the terms provided in the Resolution, provided that no such modification or amendment shall extend the fixed maturity of this 2001 Series A Bond, or reduce the amount of principal hereof, or extend the time of payment, or reduce the rate of interest hereon, or extend the time of payment of interest hereon, without the consent of the owner hereof, or reduce the percent of the consent of the holders of 2001 Series A Bonds which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Operating Revenues and other assets pledged under the Resolution prior to the lien created by the Resolution, or deprive the holders of the 2001 Series A Bonds of the lien created by the Resolution on such Net Operating Revenues and other assets, without the consent of the holders of all of the 2001 Series A Bonds then outstanding.

This 2001 Series A Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Fiscal Agent. It is hereby certified and recited that any and all acts, conditions and things required to exist, to have happened and to have been performed precedent to and in the issuance of this 2001 Series A Bond to exist, have happened, and have been performed in due time, form and manner as required by the Constitution and laws of the State of California and that this 2001 Series A Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by the



Constitution and laws of the State of California and the Act and is not in excess of the amount of 2001 Series A Bonds permitted to be issued under the Resolution.

IN WITNESS WHEREOF, the District has caused this 2001 Series A Bond to be signed by the Chairman of the Board of Directors and the Secretary of the Board of Directors of the District, and countersigned by the Controller of the District, each by their facsimile or manual signatures, and sealed with the corporate seal of said District as of the Original Issue Date specified above.

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Chairman of the Board of Directors,  
The Metropolitan Water District  
of Southern California

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Secretary of the Board of Directors,  
The Metropolitan Water  
District of Southern California

COUNTERSIGNED:

---

Controller of The Metropolitan  
Water District of Southern California

FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION  
AND REGISTRATION

This Bond is one of The Metropolitan Water District of Southern California Water Revenue Bonds, 2001 Series A delivered pursuant to the within mentioned Master Resolution and Thirteenth Supplemental Resolution.

Treasurer of The Metropolitan  
Water District of Southern  
California, as Fiscal Agent

By \_\_\_\_\_  
Authorized Signature

ASSIGNMENT

The following abbreviations, when used in the inscription on the face of the within-mentioned 2001 Series A Bond and in the assignment below, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM: as tenants in common

TEN ENT: as tenants by the entireties

JT TEN: as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_

the within-mentioned registered 2001 Series A Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the books of the Fiscal Agent with full power of substitution in the premises.

Dated: \_\_\_\_\_

SIGNATURE GUARANTEED:

\_\_\_\_\_

\_\_\_\_\_

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within 2001 Series A Bond in every particular, without alteration or enlargement or any change whatsoever.

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

RESOLUTION \_\_\_\_\_

RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
METOPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
AMENDING CERTAIN PROVISIONS OF RESOLUTION 8386  
RELATING TO THE ISSUANCE OF  
WATERWORKS GENERAL OBLIGATION REFUNDING BONDS  
AND AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$125,000,000  
IN PRINCIPAL AMOUNT OF SAID REFUNDING BONDS  
(FIRST SUPPLEMENTAL RESOLUTION)

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**THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA**

**RESOLUTION \_\_\_\_\_**

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**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
AMENDING CERTAIN PROVISIONS OF RESOLUTION 8386  
RELATING TO THE ISSUANCE OF  
WATERWORKS GENERAL OBLIGATION REFUNDING BONDS  
AND AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$125,000,000  
IN PRINCIPAL AMOUNT OF SAID REFUNDING BONDS  
(FIRST SUPPLEMENTAL RESOLUTION)**

---

(ADOPTED JANUARY 9, 2001)

WHEREAS, pursuant to the Metropolitan Water District Act, California Stats. 1927, Ch. 429, as such act was in effect on June 7, 1966 (the "1927 Act"), and Ordinance No. 105 of The Metropolitan Water District of Southern California (the "District"), a special election by the qualified voters of the District was duly held in the District on the 7<sup>th</sup> day of June, 1966, at which election the District was authorized to incur bonded indebtedness in the principal sum of \$850,000,000 for the purpose of acquisition and construction by the District of public improvements and works of the District, to be designated "The Metropolitan Water District of Southern California, Waterworks Bonds, Election 1966 (the "Waterworks Bonds, Election 1966"); and

WHEREAS, pursuant to the 1927 Act, as amended by California Stats. 1969, Ch. 209 (as further amended from time to time, the "Act"), and Article 11, Chapter 3, Part 1, Division 2, Title 5 of the Government Code, the Board of Directors of the District adopted Resolution 8386 on January 12, 1993 (the "1993 Resolution") to provide for the issuance of refunding bonds to redeem or retire all or part of the outstanding Waterworks Bonds, Election 1966 of the District; and

WHEREAS, at the time of the adoption of the 1993 Resolution, the following series and original principal amounts of the District's Waterworks Bonds, Election 1966 had been issued:

<u>Resolution</u>	<u>Adoption Date</u>	<u>Series</u>	<u>Original Principal Amount</u>
6954	May 9, 1967	A	\$ 100,000,000
7068	May 14, 1968	B	85,000,000
7254	April 27, 1970	C	100,000,000
7303	December 8, 1970	D	100,000,000
7391	February 8, 1972	E	100,000,000
8052	March 12, 1985	F	100,000,000
8230	June 15, 1989	G	215,000,000

; and

WHEREAS, pursuant to Resolution 8420 adopted on September 21, 1993, as amended by Resolution 8575 adopted on February 10, 1998, the District caused the issuance and delivery of its Waterworks General Obligation Bonds, Election 1966, Series H (the "Series H Bonds") in the aggregate principle amount of \$50,000,000 on September 22, 1998; and

WHEREAS, concurrently with the issuance and delivery of the Series H Bonds, the District caused the issuance and delivery of \$62,120,000 in aggregate principal amount of its Waterworks General Obligation Refunding Bonds, 1998 Series A to refund certain maturities of the outstanding Waterworks Bonds, Election 1966, all as provided in the 1993 Resolution; and

WHEREAS, pursuant to Article 8, Chapter 3, Part 1, Division 2, Title 5 of the Government Code (commencing with Section 53540), the Board of Directors of the District (the "Board") is authorized without a further vote of the District's electors, to issue general obligation bonds provided that the principal amount of the bonds does not exceed the then unissued balance of principal amount of bonds authorized by the electors of the local district, the bonds are issued for the same purpose for which the unissued bonds were authorized, and the bonds are issued in accordance with the laws governing the issuance; and

WHEREAS, pursuant to Chapter 5 of Part 5 of the Act and Article 9 and Article 11 of Chapter 3, Part 1, Division 2, Title 5 of the Government Code (commencing with Section 53550 or 53580, as appropriate), the Board may provide for the issuance of refunding bonds to redeem or retire all or part of the outstanding Waterworks Bonds, Election 1966 of the District, including the Series H Bonds; and

WHEREAS, the District desires to amend the 1993 Resolution in certain respects so as (i) to cause the Series H Bonds to be subject to the provisions of the 1993 Resolution, (ii) to clarify and amend certain additional provisions of the 1993 Resolution and (iii) to extend the authority contained in the 1993 Resolution to issue not to exceed \$125,000,000 in the aggregate principal amount of the Waterworks General Obligation Refunding Bonds; and

WHEREAS, pursuant to Section 6.01 of the 1993 Resolution, the District may, from time to time and at any time, adopt resolutions to amend the provisions contained in the 1993 Resolution for the purposes provided therein; and

WHEREAS, the Board has determined that the provisions of this First Supplemental Resolution is not adverse to the interests of the registered owners of the Waterworks General Obligation Refunding Bonds; and

WHEREAS, pursuant to Section 6.01(c) of the 1993 Resolution, the Board has determined it in its best interests to adopt this resolution to amend the 1993 Resolution;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of The Metropolitan Water District of Southern California, as follows:

## ARTICLE I

### DETERMINATION; EXTENSION OF AUTHORIZATION; DEFINITIONS

**Section 1.01. First Supplemental Resolution; Determination.** This First Supplemental Resolution (this "First Supplemental Resolution") is adopted in accordance with the provisions of the 1993 Resolution.

**Section 1.02. Extension of Authorization.** The Board hereby authorizes the extension of the authority set forth in the 1993 Resolution so as to allow the issuance of Waterworks General Obligation Refunding Bonds in the aggregate principal amount not to exceed One Hundred Twenty-Five Million Dollars (\$125,000,000) to refund and redeem any outstanding principal amount of the Waterworks Bonds, Election 1966, including the Series H Bonds, with such additional designation as deemed necessary and appropriate by the Ad Hoc Committee described in Section 7.01 of the 1993 Resolution, as amended by this First Supplemental Resolution. Pursuant to this First Supplemental Resolution, the District may issue such Waterworks General Obligation Refunding Bonds at any time prior to January 31, 2002.

**Section 1.03. Definitions.** All terms which are defined in Section 1.01 of the 1993 Resolution shall, unless otherwise defined herein, have the same meanings, respectively, in this First Supplemental Resolution.

## ARTICLE II

### AMENDMENT OF 1993 RESOLUTION

**Section 2.01. Amendment of 1993 Resolution Pursuant to Section 6.01 thereof.** Pursuant to Section 6.01 of the 1993 Resolution, the provisions of the 1993 Resolution are hereby amended and supplemented as follows:

(a) Amendment to Section 1.01. Section 1.01 of the 1993 Resolution is hereby amended by deleting the definition of "Authorized Representative," in its entirety and replacing the foregoing definition as follows:



"Authorized Representative' means each of the General Manager of the District and the Chief Financial Officer of the District and any other officer or employee of the District authorized by the General Manager or the Chief Financial Officer to act as an Authorized Representative."

Section 1.01 of the 1993 Resolution is hereby further amended by adding the definition of "Sales Documents" as follows:

"Sales Documents' means, in the case of a negotiated sale, that certain bond purchase contract or other agreement for the purchase of any Series of Refunding Bonds to be entered into between the District and the Underwriters of such Series of Refunding Bonds; or, in the case of a competitive sale, the notice of sale, bid form and other documents providing for the sale of the appropriate Series of Refunding Bonds by the District to the Underwriters."

(b) Amendment to Section 7.01. Section 7.01 of the 1993 Resolution is hereby amended to read in its entirety as follows:

**"Section 7.01. Approval of Sales Documents**. The Chairman of the Board, or in the event of a vacancy, the Acting Chairman of the Board, the Chairman of the Budget and Finance Committee of the Board, or in the event of a vacancy, the Acting Chairman of the Budget and Finance Committee of the Board, and the General Manager, or his designee, acting jointly, are hereby constituted an ad hoc committee (the "Ad Hoc Committee"). The Ad Hoc Committee is authorized and directed to determine on behalf of the District the aggregate principal amount, terms and conditions of each Series of Refunding Bonds and the terms and conditions of the sale of any such Series of Refunding Bonds at either a private sale to one or more purchasers or a competitive sale. In the event that a Series of Refunding Bonds are sold at a private sale, the Ad Hoc Committee shall have the authority to select a team of Underwriters to underwrite such Series of Refunding Bonds. The Ad Hoc Committee is hereby empowered to establish on behalf of the District such aggregate principal amount, terms and conditions of each Series of Refunding Bonds, and of the sale of any such Series of Refunding Bonds to the Underwriters of such Series chosen by the Ad Hoc Committee, as the members of the Ad Hoc Committee shall agree upon in their sole discretion as being in the best interests of the District, subject only to the provisions of the Act and of this Resolution, and shall be so empowered to implement the fundamental policies established by this Resolution in a manner that is most advantageous to the District, and to deem the official statement relating to any such Series of Refunding Bonds final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended. Such aggregate principal amount, terms and conditions of the appropriate Series of the Refunding Bonds and their sale shall be set forth in the Sales Documents relating to such Series of Refunding Bonds. Such terms and conditions as so set forth, together with the other terms and conditions of the Refunding Bonds of a Series set forth

in this Resolution, shall, upon execution and delivery of the Sales Documents by the Ad Hoc Committee, or its designee, on behalf of the District, be all the terms and conditions of such Series of Refunding Bonds, as if all such terms and conditions were fully set forth in this Resolution.

The Board hereby authorizes the Ad Hoc Committee to take any action authorized in this Resolution so long as a majority of its members shall agree that such action is in the best interests of the District. In addition, the Ad Hoc Committee, in writing, may delegate to one of its members the authority to approve or execute and deliver on behalf of the District certain documents relating to the Refunding Bonds. Upon written delegation of such authority by the Ad Hoc Committee to one of its members, the action of such member shall have the same effect to bind the District as an action of the entire Ad Hoc Committee.

The provisions of the Sales Documents pertaining to the terms of the Refunding Bonds are hereby incorporated by reference into this Resolution with the same force and effect as if set forth herein.

The Board hereby finds and determines that the interests of the District and the public interest and necessity require that the provisions of Section 225 and of Section 226 of the Act be waived.

Each Series of Refunding Bonds may be sold pursuant to the applicable Sales Documents at a discount not to exceed one percent (1%) (excluding original issue discount, if any). In addition, in no event may the true interest cost for any Series of Refunding Bonds exceed six percent (6%)."

The Ad Hoc Committee shall not permit the issuance of an amount of Refunding Bonds greater than that required for the purposes set forth in this Resolution. Subject to such limitation, the principal amount of the Refunding Bonds may be more than, less than or the same as the principal amount of the Refunded Bonds, and all such other terms and conditions as are consistent with the spirit and intent of this Resolution may be contained in the Sales Documents subject to the approval of the Ad Hoc Committee."

(c) Amendment to Section 7.03. Section 7.03 of the 1993 Resolution is hereby amended to read in its entirety as follows:

**"Section 7.03 General Authorization.** The Chairman of the Board, or in the event of a vacancy, the Acting Chairman of the Board, the Chairman of the Budget and Finance Committee of the Board, the Secretary of the Board, the General Manager, the General Counsel, the Chief Financial Officer, the Treasurer and the Controller or Assistant Controller, are hereby respectively authorized to do and perform, or cause to be done and performed, from time to time any and all acts and things consistent with this Resolution necessary or appropriate to carry the same into effect."

(d) Certain References. All references contained in the 1993 Resolution to the "Finance and Insurance Committee of the Board" shall mean the "Budget and Finance Committee of the Board" and the "Director of Finance" shall mean the "Chief Financial Officer." In the event that any of the officers or committees referred to in the 1993 Resolution or this First Supplemental Resolution is renamed, dissolved, or reorganized, then all references to such officers or committees shall refer to such successor officer or committee which shall have substantially all of the duties prior to such renaming, dissolution, or reorganization.

(e) Addition of Article VIII. The 1993 Resolution is hereby amended by the addition of Article VIII immediately succeeding Article VII as follows:

## "ARTICLE VIII

### UNDERTAKINGS

**SECTION 8.01. Municipal Securities Disclosure.** The District hereby agrees to provide or cause to be provided certain annual financial information and notices of certain material events with respect to such appropriate Series of Refunding Bonds in accordance with the terms of the Continuing Disclosure Certificate delivered by the District in connection with any such Series of Refunding Bonds.

**SECTION 8.02. Default.** A default under Section 8.01 shall not be deemed an Event of Default under this Resolution. The sole remedy in the event of any failure of the District to comply with Section 8.01 shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

**SECTION 8.03. Amendment.** This Article VIII may be amended, supplemented, modified or deleted, from time to time and at any time, as the District may determine without the consent of the Owners of the appropriate Series of Refunding Bonds."

## ARTICLE III

### MISCELLANEOUS

**SECTION 3.01. 1993 Resolution.** The 1993 Resolution, as amended and supplemented by this First 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 First 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 First Supplemental Resolution and such invalidity, illegality or unenforceability shall not affect any other provision of this First Supplemental Resolution, and this First 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 First Supplemental Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any of this First 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 First Supplemental Resolution.

All references herein to "Article," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this First Supplemental Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this First Supplemental Resolution as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

**SECTION 3.04. Governing Law.** This First 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 a two-thirds (2/3rds) vote of the total vote of the Board of Directors of The Metropolitan Water District of Southern California at its regular meeting held January 9, 2001.

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Executive Secretary  
The Metropolitan Water District  
of Southern California