

• Water Revenue Bonds, 2003 Authorization Series B3/B4 Transaction

Summary

On November 4, 2004, Metropolitan closed a \$300 million water revenue bond issue to provide funding for the Capital Investment Program.

Detailed Report

On October 20 and 21, 2004, Metropolitan priced the \$262.3 million Water Revenue Bonds, 2003 Authorization Series B-3 issue, and on October 27, 2004 the \$37.7 million Water Revenue Bonds, 2003 Authorization Series B-4 issue was priced. Proceeds from these bonds will be used to fund Metropolitan's ongoing Capital Investment Program. The transaction closed on November 4, 2004. The B-3 series was senior managed by Bear, Stearns & Co. Inc., with UBS Financial Services Inc. as a co-senior manager. The B-4 series was senior managed by Siebert Brandford Shank & Co., LLC, with E.J. De La Rosa & Co., Inc. as a co-senior manager. The remaining underwriting team included Citigroup; Goldman Sachs & Co.; JP Morgan; Lehman Brothers; Loop Capital Markets, LLC; Merrill Lynch & Co.; Morgan Stanley & Co. Incorporated; and Ramirez & Co., Inc. Public Resources Advisory Group served as financial advisor. Sidley Austin Brown & Wood LLP and McFarlin & Anderson LLP served as co-bond counsel.

The true interest cost (TIC) for this new money fixed rate transaction was 4.45% with an average life of 17.5 years. Average annual debt service will be \$20.3 million, and the final maturity will be in October 2031. Bonds maturing in 2010 and thereafter were insured by the MBIA Insurance Corporation as the economics combined with an attractive bid by MBIA made insurance the best option for Metropolitan. The transaction will provide \$294.5 million of funding for the Capital Investment Program.

As requested by the Committee, and consistent with our practice, the report shows the breakdown of the estimated costs and expenses associated with the transaction:

Estimated Costs

	<u>Amount</u>	<u>\$/1,000 Bond</u>
Rating Agencies	\$ 124,650	\$ 0.42
Bond Counsel / Co-Bond Counsel	\$ 95,000	0.32
Financial Advisors	\$ 50,000	0.17
Printing/Mailing	\$ 20,000	0.06
Other	<u>\$ 15,350</u>	<u>0.05</u>
Total	\$ 305,000	\$ 1.02

Underwriter's Discount

	<u>Amount</u>	<u>\$/1,000 Bond</u>
Takedown (sales fees)	\$1,363,694	\$ 4.55
Management Fee	\$ 125,000	0.41
Expenses		
- Underwriters Counsel	\$ 20,000	0.07
- Other (e.g. Dalnet, Day Loan, BMA Fees, etc.)	<u>\$ 65,531</u>	<u>0.22</u>
Total	\$1,574,225	\$ 5.25
Total Costs of Issuance	\$1,879,225	\$ 6.27

If you have any questions or comments, please contact me at (213) 217-7121, or by e-mail at bthomas@mwdh2o.com. As always, thank you for your help and support.

Brian G. Thomas