



Variable Rate Refunding and Swap Termination

Finance & Insurance Committee
Item 8-1
February 11, 2013

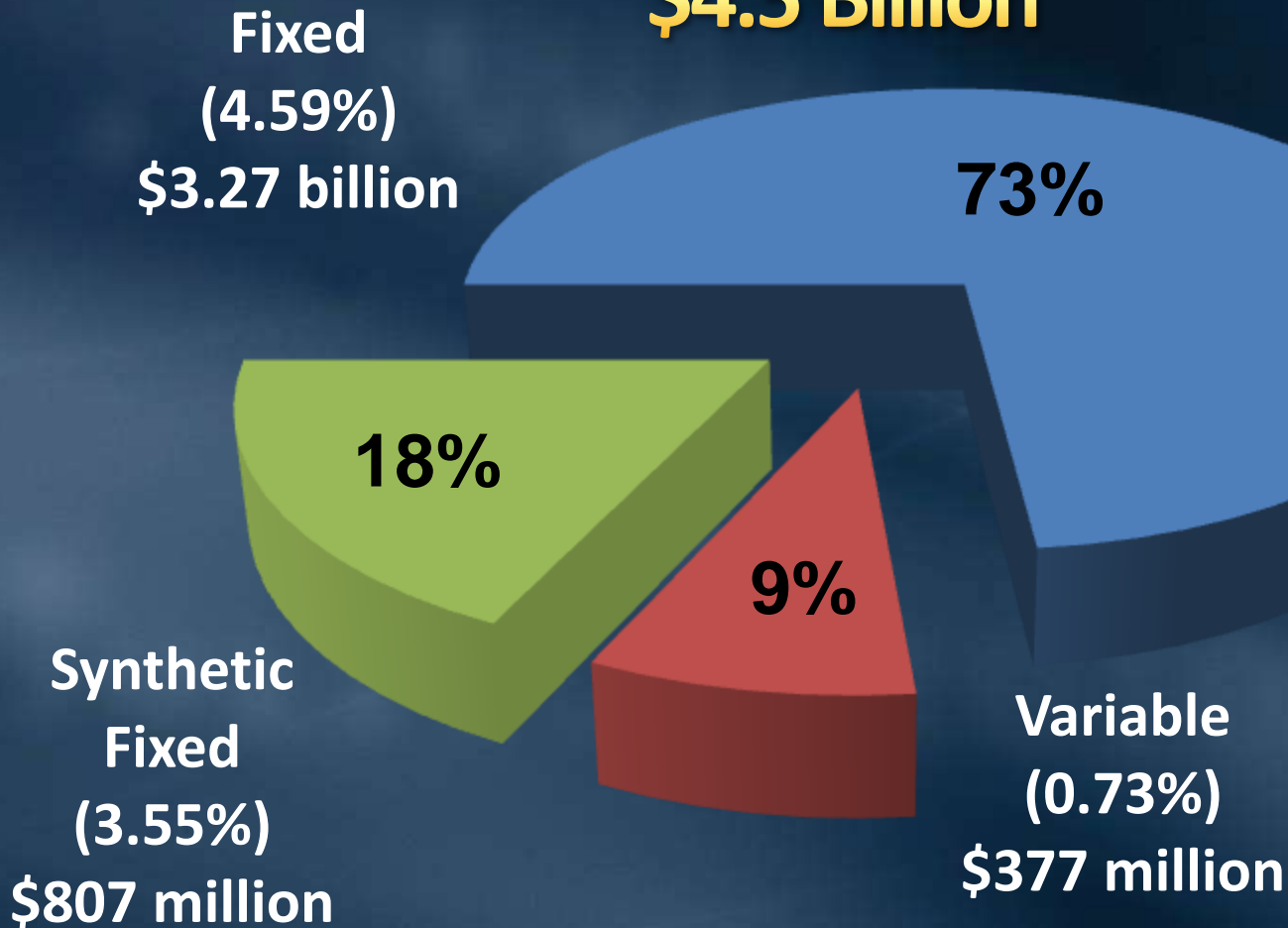
Outline

- **Review of June 2012 bond refunding and interest rate swap terminations**
- **Current (Similar) Market Opportunity**
- **Benefits to Metropolitan**
- **Proposed Financing Plan**

Revenue Bond Debt Outstanding

January 31, 2013

\$4.5 Billion



June 2012: Bond Refunding and Interest Rate Swap Terminations

- **Pricing: June 20, 2012**
- **Issued low cost fixed rate bonds to refund variable rate bonds and terminate interest rate swaps**
- **Fixed rate refunding bonds (\$319.6 million)**
 - **Proceeds used to refund variable rate bonds originally issued in 2004, 2006, 2008, and 2010**
 - **Two swaps were terminated, and five swaps were partially terminated, payments totaled \$47.2 million**
 - **NPV Savings of \$1.1 million (\$119,000 per year)**
 - **Mitigated and eliminated various risks associated with variable rate debt and swap programs and will provide cost certainty to Metropolitan**

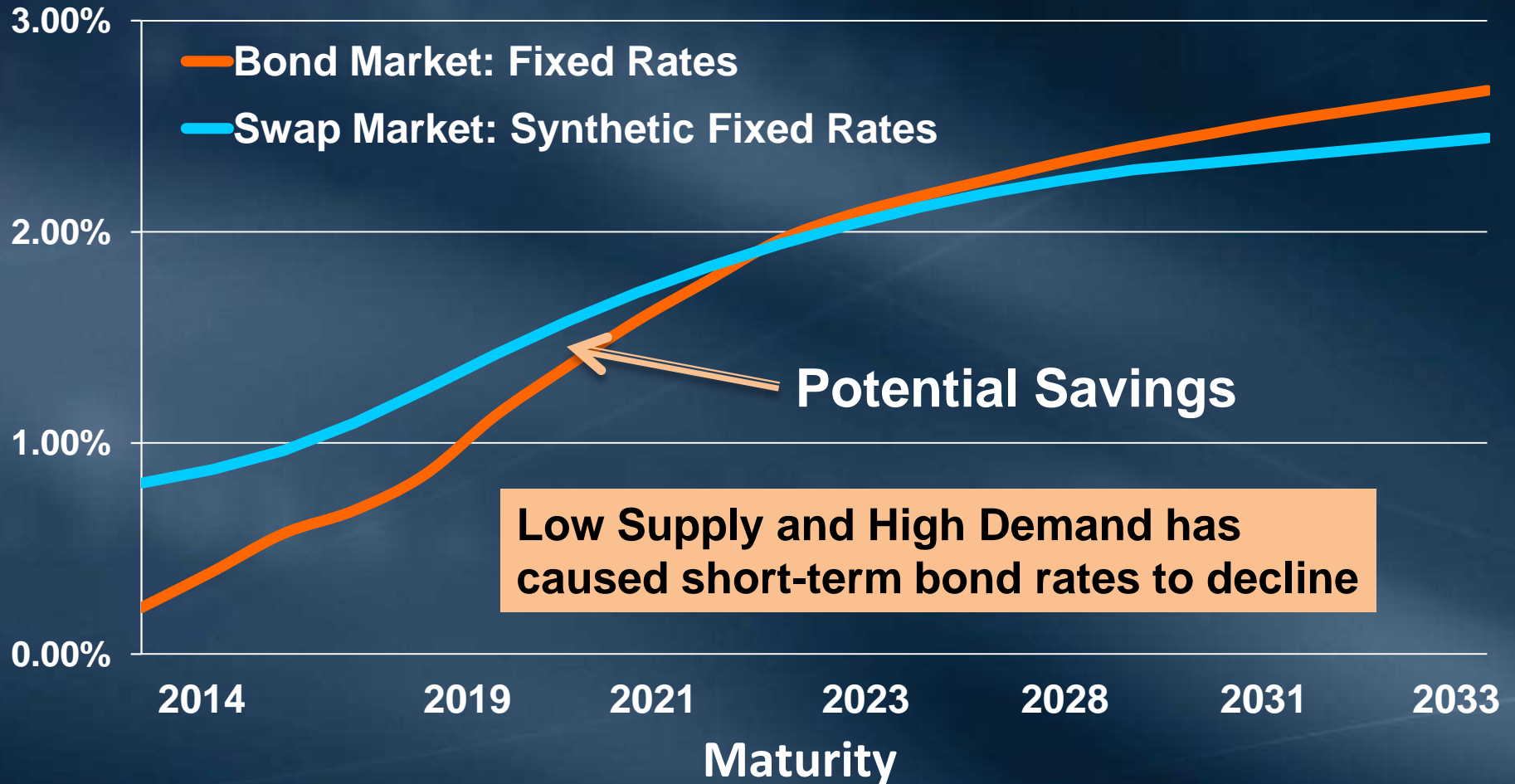
Similar Opportunity Available to Metropolitan

- Refund variable rate bonds and terminate interest rate swaps
 - 2018 to 2021 maturities
- Lock-in future savings from prior bond refundings and swap transactions
- Mitigate and eliminate various risks associated with variable rate debt program and interest rate swaps
- Reduce collateral posting for interest rate swaps

Market Opportunity

Swap Rates vs. Bond Rates

as of February 4, 2013



Simplify Debt and Swap Portfolios

Refund Variable Rate Debt

Issue Short-Term
Fixed Rate Refunding Bonds

Cancel Interest Rate Swap

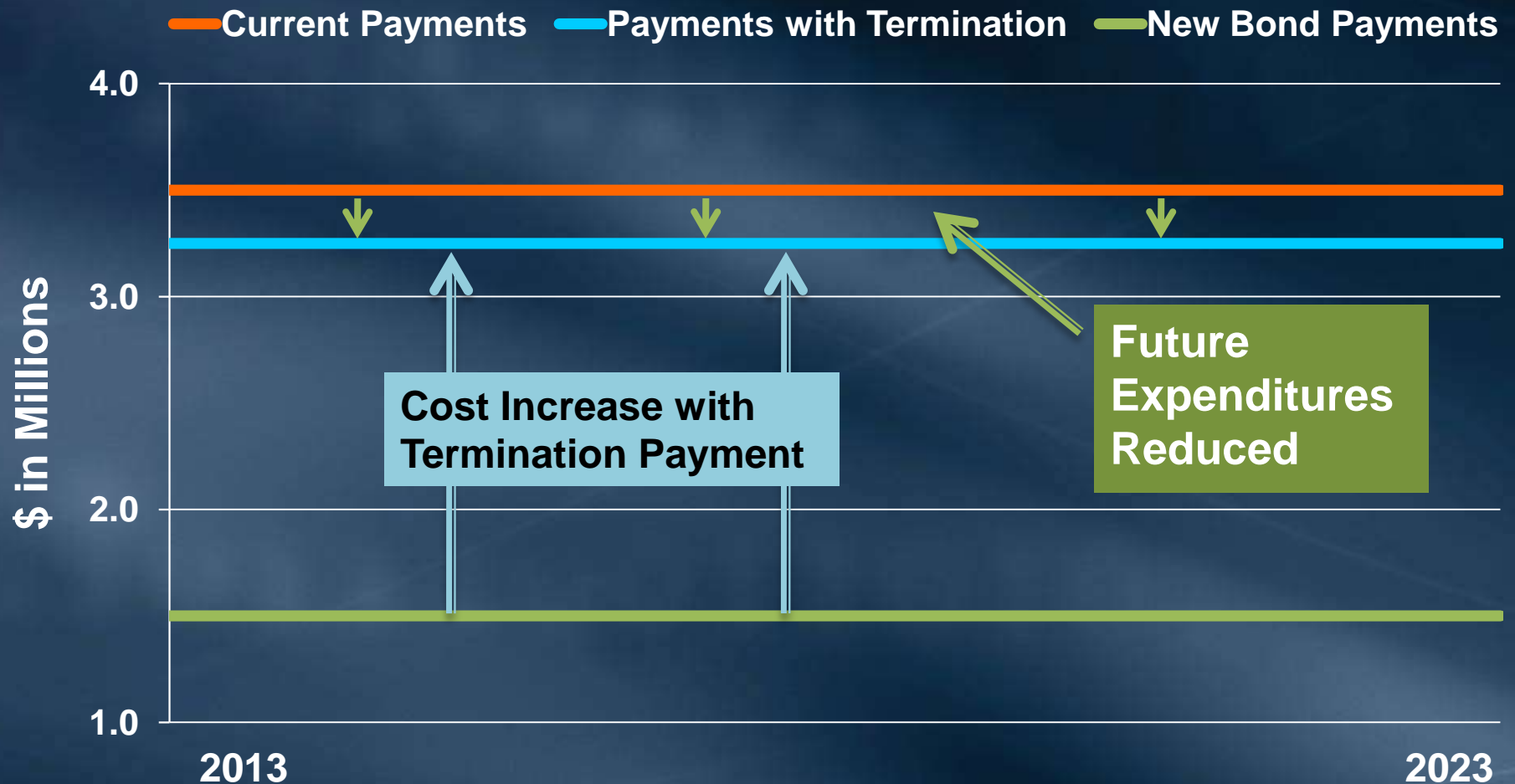
Use refunding proceeds to
make termination payments
(which could be substantial)



- New debt service will be no greater than existing debt service and costs in each year
- Present value savings
 - Termination payments are offset by low bond rates
 - Collateral posting will likely be reduced

Market Opportunity

Reducing Future Expenditures



Proposed Financing Plan

- **Variable Rate Refunding and Swap Termination**
 - **Objective: lock-in accrued savings on synthetic fixed rate transactions while eliminating future risks at no net cost to Metropolitan**
 - **Requires approval of Ad Hoc Committee (Chairman of the Board, Chairman of the Finance and Insurance Committee, and General Manager)**
 - **Transaction size depends on market conditions (currently \$170 million), includes termination payments from bond proceeds of approximately \$20 million**
 - **Timing: as early as week of February 24th**
 - **Results of any transaction will be reported to the Board at the Finance and Insurance Committee meeting**

Questions and Discussion