



Authorize Execution and Distribution of Official Statements and Amendment and Termination of Interest Rate Swaps

Finance and Insurance Committee

Item 8-1

February 11, 2013

Official Statement Describes the Bonds

- Terms of the bonds
 - Water Revenue Refunding Bonds, 2013 Series A and 2013 Series B
 - Water Revenue Refunding Bonds, 2013 Series C
- Security and sources of payment
- Risks that may affect payment
- Revenues and debt service obligations
- Appendices

Appendix A

- Metropolitan financial and operating information:
 - Updated water supply conditions
 - California and Colorado River Basin snowpack and precipitation
 - SWP 40 percent allocation
 - Record water storage at the end of calendar year 2012
 - Calendar year 2012 water deliveries

Appendix A (cont.)

- Actual financial results for first half of FY 2012-2013
 - FY 2012-13 financial projections revised for actual results through December 2012
- 22 member agency purchase orders extended through 2014
- Replenishment Service Program eliminated; member agency Tier 1 limits adjusted for historic replenishment purchases

Appendix A (cont.)

- Legislature postponed State water bond to 2014
- PERS June 2011 actuarial report (received October 2012)
- Events potentially affecting water supplies or demands
 - Board authorization for international pilot project with Mexico
 - LADWP lawsuit challenging Owens Valley mitigation requirements
 - SDCWA approves water purchase agreement with Poseidon Resources for Carlsbad Project

Metropolitan is Responsible for Content

- Must take reasonable care to assure each Offering Statement does not contain an untrue statement of a material fact or omit to state a material fact
- “Material fact” is one that a reasonable investor would consider important in deciding whether to purchase the bonds

Preparing the Offering Statement

- Staff establishes accuracy of bond terms and financial and operating information described in the draft Offering Statement
 - Finance, Water Resource Management, Water System Operations, and Corporate Resources staffs provide information and updates
 - Finance staff oversees the accuracy of financial information
 - Audit Department audits and reviews tables, statistics and financial data

Review of the Offering Statement by staff, underwriters and outside professionals

- Bond counsel
- Underwriter's counsel
- Investment bankers
- Financial advisor

Review by the Board of Directors

- Receive and review draft Offering Statement
- Receive reports on financings
 - Anticipated financings
 - Recent closings and costs of issuance
- Take steps to assure that material financial and operating issues are properly disclosed; including:
 - Ask questions about the process staff has gone through to ensure disclosure of material facts
 - Provide comments and ask questions about material facts

What Kinds of Questions?

- Who prepared the Offering Statement?
- What process do we follow to assure accuracy?
- Did all of the appropriate people review?
- Is the material consistent with presentations provided to the Board and Committees?
- What are the critical assumptions?
- What risks have been disclosed?
- Why are we issuing these bonds?

Next Steps

- “Due diligence” call
- Electronic posting – Preliminary Official Statement
- Pricing
- Final Official Statement

Options for Consideration

- Option #1

Adopt the CEQA determination and

- Approve the draft Official Statements with changes approved by the General Manager and General Counsel;
- Authorize the General Manager, or designee of the Ad Hoc Committee, to execute the Official Statements;
- Authorize distribution of the Official Statements in connection with issuance of the bonds; and
- Authorize the Ad Hoc Committee or its designee to approve and the Chief Financial Officer to execute amendment and termination of interest rate swaps (in whole or in part) related to the subject refunding.

Options for Consideration

- Option #2

Adopt the CEQA determination and

- Approve the draft Official Statements as modified by the Board, with changes approved by the General Manager and General Counsel;
- Authorize the General Manager, or designee of the Ad Hoc Committee, to execute the Official Statements;
- Authorize distribution of the Official Statements in connection with issuance of the bonds; and
- Authorize the Ad Hoc Committee or its designee to approve and the Chief Financial Officer to execute amendment and termination of interest rate swaps (in whole or in part) related to the subject refunding.

Staff Recommendation

- Option #1



Questions?