



Official Statement
Special Variable Rate Water Revenue Refunding
Bonds, 2014 Series D

Finance and Insurance Committee
Item 8-2b
May 12, 2014

Metropolitan is Responsible for the Content of its Offering Statements

- 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

Responsibilities of The Board of Directors

- Receive reports on financings
- Receive and review draft Offering Statements
- 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?

Preparing the Offering Statement

- Staff maintains the accuracy of bond terms and financial and operating information described in the draft Offering Statement
 - Finance, Water Resource Management, Water System Operations, and Business Technology 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

Official Statement Describes the Bonds

- Terms of the bonds
- Security and sources of payment
- Risks that may affect payment
- Revenues and debt service obligations
- Appendices

Appendices

- A - financial and operating information
- B – audited financial statements
- C – summary of bond docs
- D – book-entry/registration system
- E – demographic/economic information
- F – bond counsel opinions
- G – continuing disclosure undertaking

Appendix A

- Significant updates include:
 - SWP allocation for 2014 of 5%
 - Addition of Drought Response Actions
 - Updated water supply conditions and storage
 - Developments in litigation
 - Revenues, expenditures and water sales
 - Updated numbers for CIP expenditures, CIP financing projections

Appendix A (cont.)

- Significant updates include:
 - April 2014 Board approval of water rates and biennial budget including authorization to transfer \$100 million to PAYGO Fund, \$100 Million to OPEB Trust and amounts over the maximum reserve target to Water Management Fund
 - Management's Discussion of Historical and Projected Revenues and Expenses

Options for Consideration

- Option #1

Adopt the CEQA determination and

- Approve the draft Official Statement with changes approved by the General Manager and General Counsel;
- Authorize the General Manager to execute the Official Statement;
- Authorize distribution of the Official Statement in connection with marketing and remarketing of the bonds; and
- Authorize payment of costs of issuance of bonds as operations and maintenance expenses in the manner set forth in the board letter.

Options for Consideration

- Option #2

Adopt the CEQA determination and

- Approve the draft Official Statement as modified by the Board, with changes approved by the General Manager and General Counsel;
- Authorize the General Manager to execute the Official Statement;
- Authorize distribution of the Official Statement in connection with the marketing and remarketing of the bonds; and
- Authorize payment of costs of issuance of bonds as operations and maintenance expenses in the manner set forth in the board letter.

Staff Recommendation

- Option #1



Questions?