



● **Board of Directors**

9/22/2015 Board Meeting

Revised 8-6

Subject

Approve the introduction by title only of an Ordinance Determining That The Interests of The District Require The Use Of Revenue Bonds In The Aggregate Principal Amount Of \$500,000,000

Executive Summary

Introduction of the Ordinance Determining That The Interests of The District Require The Use Of Revenue Bonds In The Aggregate Principal Amount Of \$500,000,000 To Fund A Portion Of Capital Investment Plan Expenditures will allow the Board to consider the adoption of the Ordinance at the Board's October meeting. In September, the Board need only vote on whether to introduce the proposed Ordinance by title or whether to introduce it by full reading.

Details

In 1974, the voters approved the use of long-term water revenue bonds as an alternative to pay-as-you-go financing. Pursuant to the approval of the voters and the Metropolitan Water District Act (MWD Act), the Board may authorize issuance of revenue bonds upon the adoption of an ordinance finding the interests of the district require use of the revenue bonds for the purposes set forth in Section 237, the cost of which will be too great to be paid out of the ordinary annual income and revenue of the district. In October, staff will provide for board adoption, the attached Ordinance determining that the interests of Metropolitan require the use of Revenue Bonds in the aggregate principal amount of \$500 million to fund a portion of Capital Investment Plan (CIP) expenditures. The authorization of revenue bonds in an amount up to \$500 million will provide Metropolitan with greater financial flexibility.

The MWD Act requires ordinances to be introduced on a day prior to the time of the Board's adoption. Although the MWD Act does not specify the method of introduction of ordinances, general law cities normally require introduction by a reading of the full text, unless the full reading is waived which allows introduction by title only. Therefore, the proposed Ordinance will be introduced at the September Board meeting by title only or by a full reading, as determined by the Board. After the September introduction, staff will present the proposed Ordinance for the Board's consideration and adoption at the Board's regular October meeting. Adoption of the Ordinance will not authorize bond issuance. Separate Board approval would be required for any bond issuance under this Ordinance.

This letter's attachment provides to the Board the full text of the proposed Ordinance. The action required by the Board at this time is a vote approving the introduction of the proposed Ordinance by title only or alternatively, requiring a full reading.

Policy

Metropolitan Water District Act Sections 61, 63, 64 and 237

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination for Options #1 and #2 is: Determine that the proposed action is not defined as a project and is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

Board Options

Option #1

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and

Approve the introduction, by title only, of the Ordinance Of The Board of Directors Of The Metropolitan Water District Of Southern California Determining That The Interests of The District Require The Use Of Revenue Bonds In The Aggregate Principal Amount of \$500,000,000 To Fund A Portion Of CIP Expenditures.

Fiscal Impact: Approving Option #1 will not have a financial impact.

Business Analysis: This option would allow introduction of the proposed Ordinance by title only in lieu of a full reading of the Ordinance. Staff will subsequently present the proposed Ordinance at the Board's regular October meeting at which time the Board will have the opportunity to adopt the proposed Ordinance.

Adoption of the Ordinance will not, without further Board action, authorize the issuance of bonds.

Option #2

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and


Introduce by full reading the proposed Ordinance Of The Board of Directors Of The Metropolitan Water District Of Southern California Determining That The Interests of The District Require The Use Of Revenue Bonds In The Aggregate Principal Amount of \$500,000,000 To Fund A Portion Of CIP Expenditures.

Fiscal Impact: Approving Option #2 will not have a financial impact.

Business Analysis: This option would require introduction of the proposed Ordinance by a full reading of the ordinance at the September Board meeting. Staff will subsequently present the proposed Ordinance for the Board's consideration at the Board's regular October meeting at which time the Board will have the opportunity to adopt the proposed Ordinance. Adoption of the Ordinance will not, without further Board action, authorize the issuance of bonds.

Staff Recommendation

Option #1



Gary Breaux
Chief Financial Officer

9/18/2015
Date



Jeffrey Knight Inger
General Manager

9/18/2015
Date

Attachment 1 – Ordinance Determining That The Interests of The District Require The Use Of Revenue Bonds In The Aggregate Principal Amount Of \$500,000,000 To Fund A Portion Of Capital Investment Plan Expenditures

Ref# cfo12639554

THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

ORDINANCE _____

ORDINANCE OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
DETERMINING THAT THE INTERESTS OF THE DISTRICT REQUIRE THE USE OF
REVENUE BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF \$500,000,000 TO
FUND A PORTION OF CAPITAL INVESTMENT PLAN EXPENDITURES

WHEREAS, pursuant to Chapter 1.6 of Part 5 of the Metropolitan Water District Act (California Statutes 1969, Chapter 209, as amended, hereinafter sometimes referred to as the "Act"), the Board of Directors of The Metropolitan Water District of Southern California (the "District"), on March 12, 1974, adopted Ordinance No. 126, calling a special election to be held within the District on June 4, 1974, for the purpose of submitting to the qualified voters of said District the following proposition:

To permit use of long-term bonds backed by water revenues as an alternative to pay-as-you-go financing, shall the Board of Directors of the Metropolitan Water District of Southern California be authorized to issue and sell revenue bonds under Chapter 1.6, Part 5, Metropolitan Water District Act?

WHEREAS, said election was duly and regularly held and said proposition received the affirmative vote and assent of a majority of all of the qualified voters of the District voting on said proposition, and therefore the Board of Directors is authorized to issue and sell revenue bonds under said Chapter 1.6 of Part 5 of the Act;

WHEREAS, the Board has adopted a resolution in July 2015 authorizing the reimbursement with bonds proceeds of the costs of Capital Investment Plan Projects funded from the General Fund and the Replacement and Refurbishment Fund up to \$300 million;

WHEREAS, the Board has approved a biennial budget for fiscal year (FY) 2014/15 and FY 2015/16, containing Capital Investment Plan ("CIP") expenditures of \$268 million for FY 2015/16;

WHEREAS, the District desires and expects to finance certain construction costs relating to its FY 2015/16 CIP Projects;

WHEREAS, the Board has approved a Ten-Year Financial Forecast for FY 2014/15 through 2023/24, containing CIP expenditures of \$275 million for FY 2016/17 and \$281 million for FY 2017/18;

WHEREAS, capital projects have been funded from the General and Replacement and Refurbishment Funds, of which \$264 million was used to purchase land in Palo Verde Valley pursuant to the Board's approval in July 2015;

WHEREAS, ongoing drought conditions present significant uncertainties regarding future financial operations and financial reserve balances;

WHEREAS, using debt to fund a greater portion of capital projects will provide Metropolitan with additional financial flexibility to fund water management activities such as replenishing storage and funding transfer and exchange programs; and

WHEREAS, this Ordinance was introduced at the adjourned regular meeting of the Board held on September 22, 2015;

NOW, THEREFORE, the Board of Directors of the District, DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

The interests of The Metropolitan Water District of Southern California require the use of revenue bonds in the aggregate principle amount of \$500,000,000 to fund a portion of the District's CIP expenditures, the cost of which is too great to be paid out of the ordinary annual income and revenue of the District.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of an Ordinance 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 October 13, 2015.

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