



Adopt Master Subordinate Resolution authorizing the issuance of subordinate water revenue bonds and other forms of indebtedness; and adopt the First Supplemental Subordinate Resolution authorizing the issuance of subordinate water revenue refunding bonds

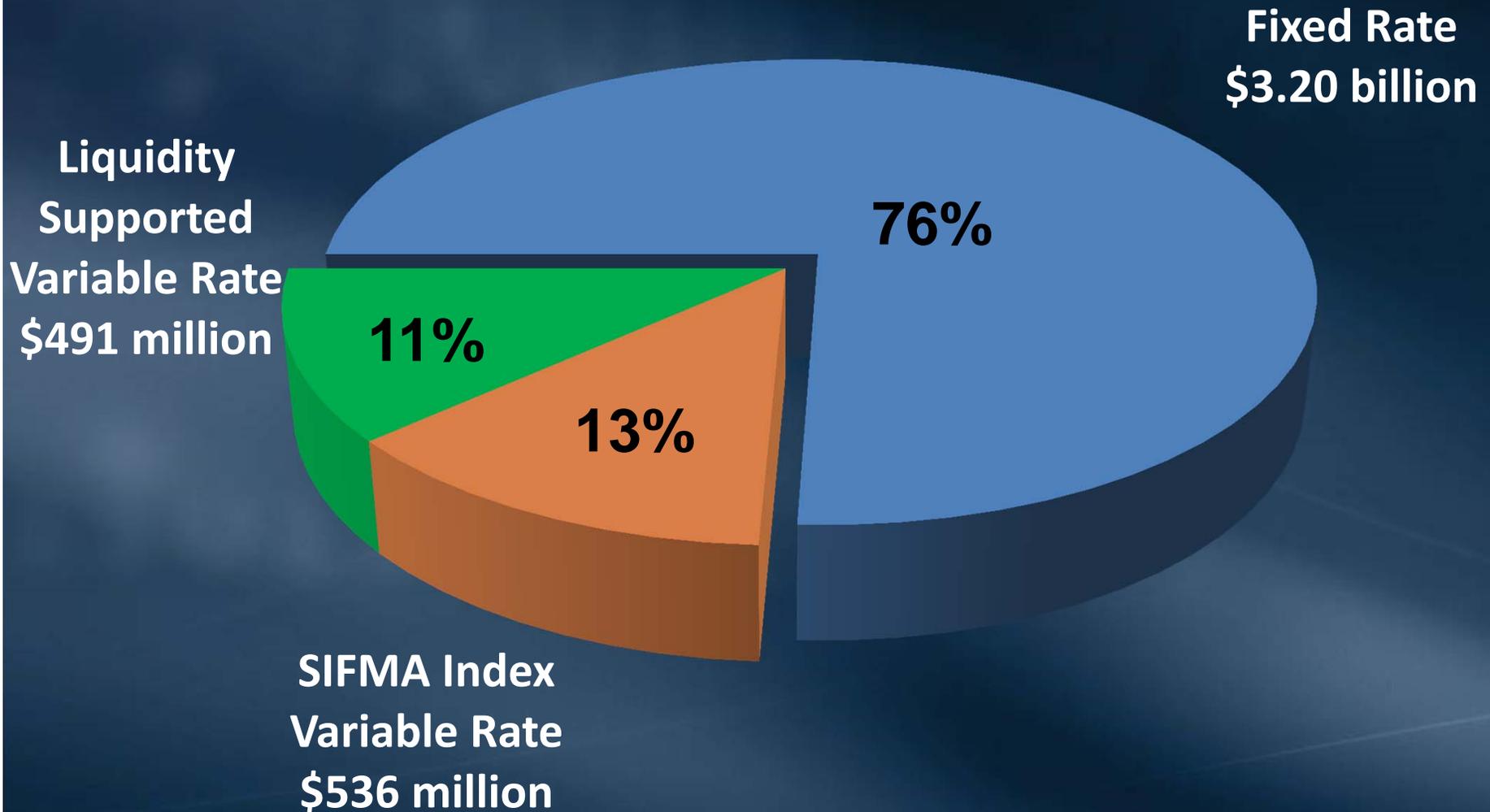
**Finance & Insurance Committee
Item # 8-1
March 7, 2016**

Master Subordinate Resolution

- Framework for future revenue bond issuance and other forms of indebtedness
- Provides increased flexibility to issue new debt structures now preferred by certain investors
- Potential to reduce interest cost for certain types of debt
- Subordinate to existing Senior Debt Resolution

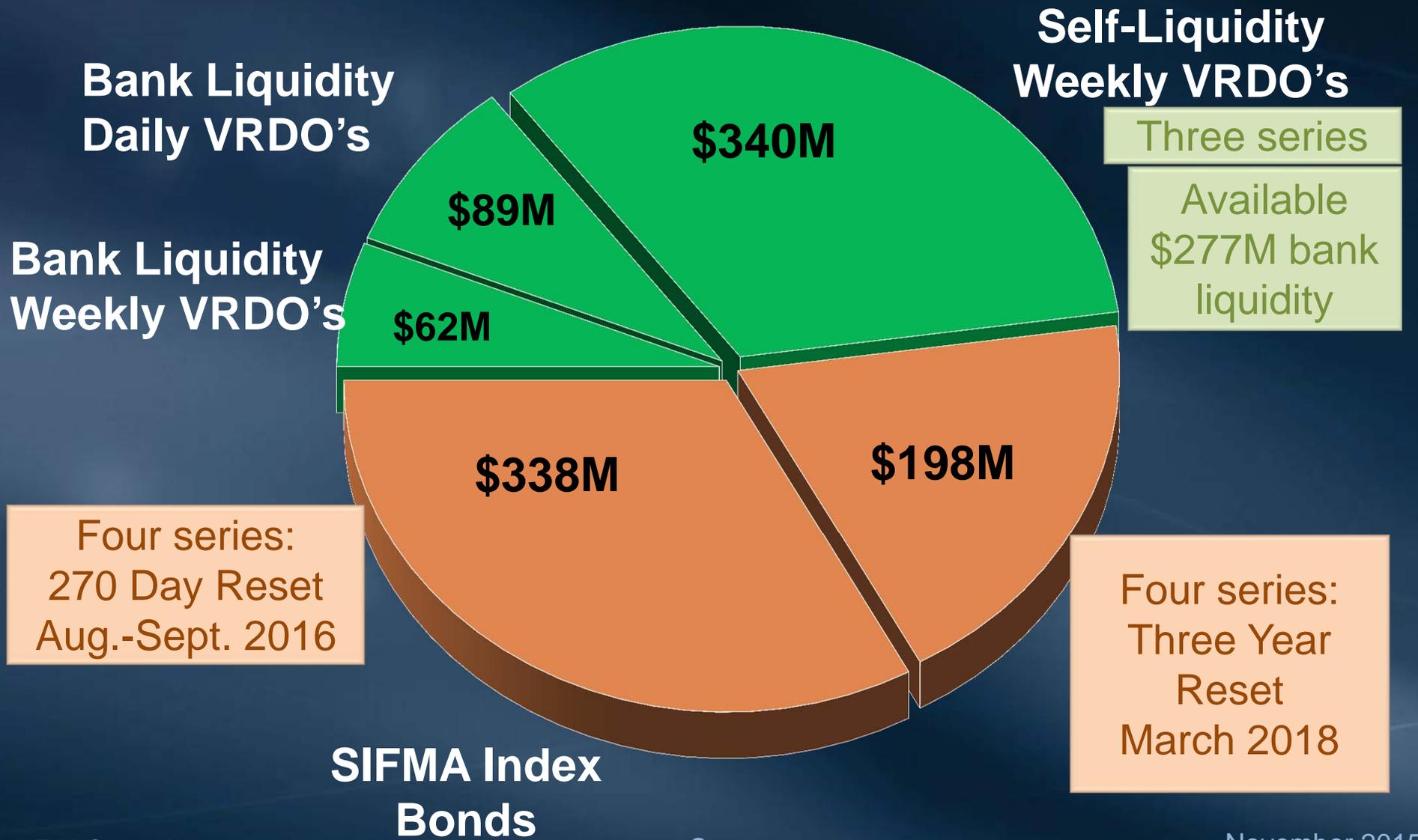
Revenue Bond Debt Outstanding

\$4.2 Billion



Variable Rate Bond Portfolio

\$1.0 Billion



Master Subordinate Resolution

- Allow for a “hard put” structure
 - Failure to pay on the put date is an event of default
- New security provisions consistent with industry standards
 - Rate Covenant
 - Additional Bonds Test

Master Subordinate Resolution

- Long-term debt issued under Master Subordinate Resolution may have lower rating
 - Current long-term ratings: Aa1, AAA, AA+
 - Potential lower ratings: Aa2, AA+, AA
- Short-term debt expected to have highest short-term bond ratings
 - Current short-term ratings: VMIG 1, A-1+, F1+

First Supplemental Subordinate Resolution

- Authorizes refunding of existing debt as subordinate debt
- Final terms and conditions approved by Ad Hoc Committee
- Similar to the Fourth Supplemental Resolution to the Senior Debt Resolution

Financing Schedule

- **SIFMA Bond Refundings-Master Subordinate Resolution**
 - \$129M 2011A1/A3 (270 Days): June 2016
 - \$104M 2009A2 (270 Days): June 2016
 - \$105M 2013E (270 Days): July 2016
- **Water Revenue Bond Refundings**
 - \$245M of revenue bond refundings: July 2016
 - Amount may increase based on market conditions
- **Credit Facilities**
 - In negotiation with two banks for up to \$400 million
- **New Bond Proceeds-December 2016**
 - To fund portion of FY 2016-17 Capital Investment Plan
 - May issue new debt under Master Subordinate Resolution

Board Options

● Option #1

- Adopt CEQA Determination, and
 - a. Adopt the Master Subordinate Resolution authorizing the issuance of subordinate water revenue bonds to finance any legal purpose of the District and providing the terms and conditions for the issuance of said bonds, as contained in Attachment 1; and
 - b. Adopt the First Supplemental Subordinate Resolution to the Master Subordinate Resolution authorizing the issuance of subordinate water revenue refunding bonds, providing the terms and conditions of such bonds and authorizing the approval of other related documents, as contained in Attachment 2.

Board Options

● Option #2

Do not adopt the:

- CEQA determination, Master Subordinate Resolution or the First Supplemental Subordinate Resolution.

Staff Recommendation

- **Option #1**



End of Presentation