



Adopt Ordinance No. 150 Determining that the Interests of Metropolitan Require the Use of Revenue Bonds in the Aggregate Principal Amount of \$400 million

Finance & Insurance Committee

Item 8-1

June 12, 2017

Overview

- **Required by The Metropolitan Water District Act**
- **1974: Voters approved use of revenue bonds**
- **Adoption of Ordinance No. 150 is the Board's finding that Metropolitan's interests require the use of revenue bonds in the aggregate principal amount of \$400 million to finance a portion of Metropolitan's capital expenditures, the cost of which is too great to be paid out of Metropolitan's operating revenues**
- **The Ordinance was introduced at the Board Meeting on May 9, 2017**

Revenue Bond Considerations

- Metropolitan's interests require the issuance of revenue bonds in the aggregate amount of \$400 million to finance a portion of capital expenditures
 - \$400 million represents estimated revenue bond financing for approximately five fiscal years consistent with the current adopted biennial budget (fiscal years 2016/17 and 2017/18), capital investment plan, and Ten-Year Financial Forecast
 - May be used for other Board approved capital expenditures not included in the capital investment plan of the then-current biennial budget
- Use of debt funding and operating revenues to finance needed capital expenditures provides financial flexibility to maintain modest rate increases and sound financial operations
- Separate Board approval in future is required to approve particular revenue bond issuances

Revenue Bond Considerations

- **Current request similar to prior Board action, adopting Ordinance No. 149, in October 2015**
 - **Finding that the interests of Metropolitan required the use of revenue bonds up to \$500 million**
 - **Revenue bond issues of approximately \$463 million funded portion of capital expenditures in fiscal years 2014/15-2016/17**
 - **Ordinance No. 149 balance of approximately \$37 million**
- **Proposed Ordinance No. 150 will provide authorization for bond funding a portion of fiscal year 2017/18 capital expenditures**
 - **Next revenue bond issue of \$80 million will use remaining Ordinance No. 149 balance and Ordinance No. 150 authority**
 - **Actual bond issuance will require Board approval as requested in Board Letter 8-2**

Board Options

● Option #1

- **Adopt CEQA Determination**
- **Adopt Ordinance No. 150 determining that the interests of Metropolitan require the use of revenue bonds in the aggregate principal amount of \$400 million to finance a portion of Metropolitan's capital expenditures.**

Board Options

- **Option #2**

- **Do not adopt Ordinance No. 150.**

Staff Recommendation

- **Option #1**

