

**WEST BASIN MUNICIPAL WATER DISTRICT****APRIL 11, 2005 - Finance**

Fernandez, Dear

**APRIL 25, 2005 - Board Meeting**

Prepared by: Margaret Moggia

Submitted by: Margaret Moggia

Approved by: Art Aguilar/Rich Nagel

## ACTION CALENDAR

COST OF ISSUANCE AND PROCUREMENT OF INTEREST RATE SWAPSUMMARY:

At the March 2005 Finance Committee meeting, the Committee directed staff and attorneys to prepare documents for refinancing the 1997A Refunding Revenue of Certificates of Participation. This refinancing is considered a forward swap in which the District will agree to a fixed interest swap rate and issue variable bonds in 2007 when the bonds are eligible for refunding. The total amount of variable rate debt to be issued as adjustable rate revenue "Certificates of Participation" through the West Basin Financing Corporation is not-to-exceed \$22,000,000. This item was also brought to the Board as an information item at the March 21, 2005 Board meeting.

The amounts to be funded as part of the refinancing include costs from bond counsel, financial advisor, and other necessary costs to complete the transaction. Estimated costs for the refinancing are anticipated to be approximately \$254,000. Various line items for the cost of issuance with respect to the 2007A West Basin Adjustable Rate Refunding Revenue Certificates of Participation, and when such cost will be paid are attached as Exhibit "A". This amount assumes that Stradling Yocca Carlson and Rauth, District's bond counsel, and Public Financial Management (PFM), District's financial advisor's, who currently have contracts that terminate June 30, 2006, will be present in these roles through the final execution of this transaction.

PFM will negotiate with Citigroup the procurement of an interest rate swap for the Series 2007A bonds on behalf of West Basin. PFM's fees are estimated to be approximately \$36,000 and are based on the present value of three basis points per annum on the swap notional amount. While this fee is included in the Cost of Issuance, it will actually be paid by Citigroup through the fixed interest swap rate.

This transaction will be insured by Financial Guaranty Insurance Company. The premium for the bond insurance, swap insurance and reserve fund surety bond will be approximately \$110,000 and will be paid by Citigroup through the fixed interest swap rate.

FISCAL IMPACTS:

Amounts are included within the refinancing and the District's operating fund. The interest rate savings calculations reflect payment of these fees.

ENVIRONMENTAL COMPLIANCE:

None.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on April 11, 2005 and recommended for approval at the April 25, 2005 Board meeting.

RECOMMENDED MOTION:

That the Board authorizes the cost of issuance of \$254,000 for the procurement of an interest rate swap to be funded through the refinancing of the 1997A Refunding Revenue Certificates of Participation that includes the following:

1. Amends Stradling Yocca Carlson and Rauth's contract as the District's bond counsel through the final execution of this transaction; and
2. Public Financial Management's contract as the District's financial advisor's through the final execution of this transaction.

EXHIBITS:

Exhibit "A" - Cost of Issuance Schedule

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