

WEST BASIN MUNICIPAL WATER DISTRICT**JUNE 13, 2007 – Finance Committee**

Gray (Chair), Smith

JUNE 21, 2007 – Board Meeting

Prepared by: Margaret Moggia

Submitted by: Margaret Moggia

Approved by: Rich Nagel

ACTION CALENDAR

RESOLUTION 06-07-058
REFUNDING OF WEST BASIN MUNICIPAL WATER DISTRICT'S 1997A
REVENUE CERTIFICATES OF PARTICIPATION

SUMMARY:

In April 2005, the Board of Directors approved the refunding of the 1997A Revenue Certificates of Participation. Under Resolution 04-05-820, the Board approved a set of documents that have been executed and delivered through the West Basin Financing Corporation (WBFC). Those documents include:

Trust Agreement: Creates a trust account between Union Bank (the trustee), West Basin and the WBFC. It is set up to protect the bondholders, which allows Union Bank to hold, invest, and disburse the certificate proceeds and installment payments in accordance with the direction of the District.

Installment Purchase Agreement: An agreement between West Basin and the WBFC that indicates West Basin will pay WBFC an amount sufficient to pay the Certificates of Participation and includes the bond covenants.

Escrow Agreement: Creates an escrow account for holding, investing, and disbursing the bond proceeds for paying the debt service on the outstanding bonds.

Purchase Agreement: Provides that the underwriter, subject to certain conditions, will purchase the certificates and resell them to investors.

Remarketing Agreement: Provides that the underwriter, subject to certain conditions, will reset the interest rate weekly and will remarket any bond tendered each week.

Resolution 04-05-820 did not include the authorization to prepare the official statement until the time of the current refunding.

The above action on Resolution 04-05-820 was done in conjunction with Resolution 04-05-821, approving the execution and delivery of an interest rate swap agreement and the related documents. West Basin and the counterparty, Citigroup Global Markets, agreed to a swap rate of 3.495% in 2005. To ensure the swap rate provides the desired anticipated savings, West Basin is to convert its fixed rate debt to variable prior to the call date (August 1, 2007).

As part of the refunding, the Board already approved the cost of issuance of \$255,500 to cover the costs for bond counsel, financial advisor, rating agency costs, and other miscellaneous costs. In April 2005, the District paid \$72,350; the remaining \$183,150 will be paid with the refunding and amortized over the remaining life of the bonds. See Exhibit B for a listing of the authorized cost of issuance.

Current Action Required

At this time, the attached Resolution 06-07-858 (Exhibit A) approves the execution and delivery of the following documents:

Preliminary Official Statement (POS): A public disclosure document that describes the nature of West Basin's business, financial position, operating procedures, historic results, and forecasts.

Continuing Disclosure Certificate: An agreement of West Basin to continue to disclose any significant event that would materially affect West Basin's operations, financial results, or ability to repay the adjustable rate revenue certificates of participation and to file an annual disclosure report.

Public Financial Management (PFM), West Basin's financial advisor, confirmed the preferred variable rate mode to be Auction Rate Securities (ARS) as they are trading lower than the traditional variable rate debt bonds (VRDB). As a result, some additional documents are necessary to issue ARS (auction agent agreement and broker dealer agreement, and an amended and restated purchase agreement).

With the approval of the above documents, West Basin staff will work with the appropriate parties to execute the documents. The timing of the completion of this transaction is that notice will be provided to the bondholders of the 1997A Refunding Revenue Certificates of Participation by July 1 for an August 1, 2007 call. The POS will be delivered in mid-July so that bonds can be priced in late July. Closing of the transaction is expected by July 31, 2007.

FISCAL IMPACTS:

The refunding of the 1997A Refunding Revenue Certificates of Participation together with the execution of the interest rate swap is intended to reduce the overall interest cost to the West Basin. It is anticipated that West Basin may achieve approximately \$1.3 million in net present value savings.

ENVIRONMENTAL COMPLIANCE:

Not required.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on June 13, 2007 and the Committee did not make a recommendation. This Item was agendaized to the June 21, 2007 Board meeting for consideration.

RECOMMENDED MOTION:

That the Board of Directors approves, adopts and authorizes the President to sign Resolution 06-07-858 "RESOLUTION OF THE WEST BASIN MUNICIPAL WATER DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF NOT TO EXCEED \$22,000,000

ADJUSTABLE RATE REFUNDING REVENUE CERTIFICATES OF PARTICIPATION,
SERIES 2007A AND CERTAIN OTHER MATTERS”

EXHIBITS:

- Exhibit A – Resolution 06-07-858
- Exhibit B – Preliminary Official Statement
- Exhibit C – Continuing Disclosure Certificate
- Exhibit D – Broker Dealer Agreement
- Exhibit E – Auction Agent Agreement
- Exhibit F – Purchase Agreement (amended and restated)
- Exhibit G – Cost of Issuance Schedule

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