



WEST BASIN MUNICIPAL WATER DISTRICT
17140 S. Avalon Blvd., Suite 210
Carson, CA 90746

AGENDA NO. 24

MARCH 10, 2010 – Finance

Smith (Chair), Dear

MARCH 22, 2010 – Board Meeting

Prepared by: Margaret Moggia

Submitted by: Margaret Moggia

Approved by: Rich Nagel

ACTION CALENDAR

COMMERCIAL PAPER PROGRAM

SUMMARY:

At the February 2010 Finance Committee, staff presented a Debt Financing Plan to support the capital efforts to increase the use of recycled water and add ocean-water desalination to achieve Water Reliability 2020. The presentation described the near-term capital projects, the long-term and interim financing vehicles available and the credit rating considerations for West Basin Municipal Water District (West Basin) to finance Water Reliability 2020. While West Basin has taken several proactive steps to demonstrate management's planning, policy development, and disciplined rate setting, several key factors are still in progress. Achieving the other factors is important for West Basin prior to presenting itself to the rating agencies to finance long-term debt. Those other factors include exploring various revenue enhancements, developing a swap policy, and restoring its cash balances and debt coverage levels.

While the timing of certain tasks is several months away, West Basin can work to restore its cash balances through the establishment of a Commercial Paper Program. In addition, a Commercial Paper Program allows West Basin to begin to fund the capital projects as needed. West Basin anticipates spending several million towards the Phase V expansion, Hyperion Pump Station expansion, and Harbor/South Bay laterals along with a few other projects over the next few months.

To establish the Commercial Paper Program, several initial steps are necessary:

1. Determine the size of the Commercial Paper Program;
2. Approve resolution authorizing execution and delivery of a Tax and Revenue Anticipation Note to support a Commercial Paper Program; and
3. Approve Term Sheet from Letter of Credit Provider (Bank) who will either provide for a direct funded loan or letter of credit supporting the notes.

Working with the Engineering Department, staff reviewed the anticipated cash flow for capital projects over the next several years. Staff anticipates spending approximately \$25 million by calendar year end and up to \$100 million through Calendar Year 2011. As such, staff has determined a Commercial Paper Program of \$50 million should meet the near-term liquidity needs over the next few years as West Basin contemplates the timing of periodic long-term financing.

The resolution (shown in Exhibit "A"), was drafted by West Basin's bond counsel and reviewed by staff, legal counsel, and financial advisor. The resolution provides for an overall size of the program to be identified on the Tax and Revenue Anticipation Note (TRAN). In addition, the TRAN requires West Basin to annually determine 85% of the estimated uncollected revenues that can be issued up to the overall program size. As the Board contemplates this resolution in March 2010, staff determined the 85% of uncollected revenues to be \$31.5 million for the remainder of this fiscal year. A new TRAN resolution will be presented to the Board in June 2010 for the following fiscal year and will be in the amount of \$50 million.

Based on the assumption of \$50 million, West Basin's financial advisor has solicited interested letter of credit providers (banks) for term sheets. Results of this "Request for Proposals" are anticipated on March 5, 2010. The recommended term sheet offering the most competitive rates will be brought to the Finance Committee on March 10, 2010. With the Board's approval at the March Board meeting, staff, legal counsel and, financial advisor will work with the letter of credit provider to finalize the direct funded loan or letter of credit documentation that will be brought next month for approval prior to beginning the final steps of funding the Commercial Paper Program.

Next Steps

With the steps taken in March 2010, the financing team will be prepared to bring the bond documents, including the bank documentation, to establish the Commercial Paper Program next month. In addition, staff will be soliciting for trustee services in March 2010 and also intend to bring a recommendation in April 2010. The trustee is given fiduciary powers by a bond issuer to enforce the terms of the bond documents. As staff anticipates several financings over the next five years, staff intends to select a trustee that would be used for financings during this period.

STRATEGIC BUSINESS PLAN IMPLEMENTATION:

Goal 4: Sound Financial and Resources Management – West Basin is committed to efficient business operations, financial planning, and asset management.

FISCAL IMPACTS:

Bank fees will be financed through the Commercial Paper Program.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on March 10, 2010 and recommended for approval at the March 22, 2010 Board meeting.

RECOMMENDED MOTION:

That the Board approves of the following:

- a. Approves, adopts and authorizes the President to sign Resolution 03-10-917 "A RESOLUTION OF THE BOARD OF DIRECTORS OF WEST BASIN MUNICIPAL WATER DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF A TAX AND REVENUE ANTICIPATION NOTE TO SUPPORT A COMMERCIAL PAPER PROGRAM; and
- b. Approves the term sheet from recommended letter of credit provider.

LIST OF EXHIBITS:

Exhibit "A" – Resolution 3-10-917

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