

ALAMEDA COUNTY WATER DISTRICT FINANCING AUTHORITY MEMORANDUM

DATE: January 5, 2012
TO: Board of Directors
FROM: Walt Wadlow
SUBJECT: STAFF REPORT, ACTION CALENDAR ITEMS FOR JANUARY 12, 2012

5.1 ADOPTION OF RESOLUTION RELATING TO THE 2012 WATER SYSTEM REVENUE BONDS

SUMMARY: On November 14, 2011 a Joint Exercise of Powers Agreement between the Alameda County Water District (ACWD or District) and Union Sanitary District (USD) created the Alameda County Water District Financing Authority (ACWDFFA) as a mechanism for the District to issue bonds to take advantage of historic low borrowing rates, and to enable the District to accomplish a number of desired capital projects. The District is planning to issue approximately \$22 million in new water revenue bonds in late January 2012. This will provide net of costs about \$22 million of bond proceeds for capital expenditures. Also, if market rates continue to be beneficial, the District is planning to refinance its existing \$25 million in 2003 Certificates of Participation.

At the October 13, 2011 Board meeting, the Board authorized staff to proceed with the preparation of the relevant legal documents, resolutions and other related documents to implement the bond issuance. Staff is recommending that both the ACWDFFA and ACWD Boards approve the necessary legal documents to implement the bond sale as relevant to the two entities.

RECOMMENDATION: By motion, 1) adopt a Resolution approving the sale of 2012 Water System Revenue Bonds, and 2) approve the execution of the required documents related to the sale as described above.

DISCUSSION: While technically the ACWDFFA (JPA) issues the bonds, it is the District itself, via the joint powers authority legal structure, that actually implements the bond sale, and pays the resulting debt service. The District will build the associated projects. Because of the legal subtleties, both the ACWDFFA and ACWD Boards authorize most of the same legal documents. In order to proceed with the bond issuance, both Boards must adopt a resolution which approves the sale of the 2012 Water System Revenue Bonds, and authorizes:

- a. Approval by both Boards as to form and execution and delivery of the following documents:

- i. a Preliminary Official Statement which provides all relevant material information to potential investors, and provisions for the approval of a final Official Statement which will be delivered to the actual purchasers of the bonds after the bonds have been offered at public sale;
 - ii. an Installment Purchase Contract which is executed between the District and the JPA and provides that the JPA shall obtain the necessary financing to fund the 2012 Water System Project and requires the District to purchase the 2012 Water System Project from the JPA;
 - iii. an Official Notice of Sale which provides a description of the 2012 Water System financing and includes detailed information on the terms of sale of the debt issue including information potential bidders will need to submit bids on the expected sale date of January 24, 2012. The Official Notice of Sale along with the Preliminary Official Statement are distributed to potential underwriters of the bonds by the District's financial advisor; and,
 - iv. a Notice of Intention to Sell which is a general notice of the District's/JPA's intent to sell bonds, and is published 15 days prior to the sale date. The purpose of this notice is to advise the financial community that a debt issue is planned and that interested parties should contact the District's financial advisor for further information.
- b. Approval only by the ACWD Board as to form and execution and delivery of the following documents:
 - i. a Continuing Disclosure Certificate which provides that the District will prepare and file with a specified repository, updated financial and operating information on an annual basis for the benefit of the investors; and,
 - ii. an Escrow Agreement between the District and a third party trustee which governs purchase of U.S. government obligations with proceeds of the bonds which will be applied to redeem the 2003 Certificates of Participation, if executed.
- c. Approval only by the ACWDFB Board as to form and execution and delivery of the following document:
 - i. a Trust Agreement which establishes the Trustee (U.S. Bank) to act on behalf of the JPA in the distribution of the debt proceeds and of payments to the investors.
- d. Approval of certain other minor administrative matters in connection with the sale of the bonds.

The financing schedule provides for the bond sale to take place on Tuesday, January 24, 2012 with the closing to occur and funding to be received on Thursday, February 2, 2012. If the bond sale is approved, staff will report the results of the sale to the Board at the February 10, 2012 Board meeting.

Attachments
cc: Executive Staff