

**MEETING OF THE BOARD OF DIRECTORS
SOUTHERN CALIFORNIA WATER REPLENISHMENT
FINANCING CORPORATION
4040 PARAMOUNT BOULEVARD, LAKEWOOD, CALIFORNIA 90712**

9:00 A.M., FRIDAY, OCTOBER 17, 2008

AGENDA

Each item on the agenda, no matter how described, shall be deemed to include any appropriate motion, whether to adopt a minute motion, resolution, payment of any bill, approval of any matter or action, or any other action. Items listed as "For Information" or "For Discussion" may also be the subject of an "action" taken by the Board or a Committee at the same meeting.

- I. DETERMINATION OF A QUORUM**
- II. PUBLIC COMMENT**
- III. MINUTES OF THE MEETING OF FEBRUARY 1, 2008**
- IV. DEBT FINANCING ISSUANCE - CONSIDERATION OF RESOLUTION NO. 08-07- A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTHERN CALIFORNIA WATER REPLENISHMENT FINANCING CORPORATION APPROVING AN INSTALLMENT PURCHASE AGREEMENT AND CERTAIN OTHER DOCUMENTS, AUTHORIZING THE PREPARATION, SALE AND DELIVERY OF CERTIFICATES OF PARTICIPATION IN AN AMOUNT NOT TO EXCEED \$20,000,000 AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH**

Finance Committee Recommendation: Adopt Resolution No. 08-07.

V. ADJOURNMENT

Agenda posted by Abigail C. Andom, Deputy Secretary, October 14, 2008.

In compliance with the Americans with Disabilities Act (ADA), if special assistance is needed to participate in the Board meeting, please contact Deputy Secretary Abigail Andom at (562) 921-5521 for assistance to enable the District to make reasonable accommodations.

All public records relating to an agenda item on this agenda are available for public inspection at the time the record is distributed to all, or a majority of all, members of the Board. Such records shall be available at the District office located at 4040 Paramount Boulevard, Lakewood, California 90712.

Agendas and minutes are available at the District's website, www.wrd.org.

UNAPPROVED
MINUTES

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**MINUTES OF FEBRUARY 1, 2008
MEETING OF THE BOARD OF DIRECTORS
SOUTHERN CALIFORNIA WATER REPLENISHMENT FINANCING CORPORATION**

A special meeting of the Board of Directors of the Southern California Water Replenishment Financing Corporation was held on February 1, 2008 at 9:17 a.m. in the District office at 4040 Paramount Boulevard, Lakewood, California. President Robert Katherman called the meeting to order. Deputy Secretary Abigail C. Andom recorded the minutes.

1. DETERMINATION OF A QUORUM

The President declared a quorum of Directors was present, which in addition to himself included Directors Sergio Calderon and Albert Robles. Directors Lillian Kawasaki and Willard H. Murray, Jr. were excused.

2. PUBLIC COMMENT

None.

3. ELECTION OF OFFICERS

President Katherman stated the officers of the Corporation are President, Vice President, Secretary, General Manager, and Chief Financial Officer. He noted that the officers of the Corporation shall be the same officers of the Board of Directors.

Upon a motion duly made by Director Robles, seconded by Director Calderon, and unanimously approved, it was

RESOLVED: The officers of the Southern California Water Replenishment Financing Corporation shall be the same officers of the Board of Directors.

District Counsel was asked to review the Corporation By-Laws for possible amendment to include the position of Treasurer as an officer of the Corporation.

4. REPORTS

General Manager Robb Whitaker stated the Corporation met as provided for by the By-Laws to confirm the officers of the Corporation and take care of business that may come before them.

5. ADJOURNMENT

President Katherman asked if there was any further business to come before the Board and there being none, the meeting was adjourned at 9:20 a.m.

President

ATTEST:

Secretary



MEMORANDUM

ITEM NO. IV

Prepared by: Abbie Andom

Reviewed by: Scott M. Ota

Approved by: Robb Whitaker

DATE: OCTOBER 17, 2008

TO: BOARD OF DIRECTORS

FROM: ROBB WHITAKER, GENERAL MANAGER

**SUBJECT: DEBT FINANCING ISSUANCE - CONSIDERATION OF
RESOLUTION NO. 08-07 – A RESOLUTION OF THE BOARD OF
DIRECTORS OF THE SOUTHERN CALIFORNIA WATER
REPLENISHMENT FINANCING CORPORATION APPROVING
AN INSTALLMENT PURCHASE AGREEMENT AND CERTAIN
OTHER DOCUMENTS, AUTHORIZING THE PREPARATION,
SALE AND DELIVERY OF CERTIFICATES OF PARTICIPATION
IN AN AMOUNT NOT TO EXCEED \$20,000,000 AND
AUTHORIZING CERTAIN ACTIONS IN CONNECTION
THEREWITH**

SUMMARY

During the Fiscal Year 2008-09 budget process, the District evaluated the impact to the WRD Replenishment Assessment (RA) with and without long term financing of capital projects over the next three years. Without financing, the impact to the RA would be an additional \$23 per acre foot (a 15% increase) in each of the next two years and an additional \$5 per acre foot (a 3% increase) in the third year. In comparison, the District's 2008-09 RA increased only \$4 per acre foot from \$149 to \$153, a 2.7% increase in the same year the Metropolitan Water District increased their rates 14%.

Capital assets are assets constructed or acquired for use in operations that will benefit the District for long term period of time. Typical examples are land, buildings, equipment and infrastructure. The new projects in this long term financing are included in the updated WRD Capital Improvement Program which was reviewed by the District's Technical Advisory Committee. The new projects include the San Gabriel River and Rio Hondo spreading grounds interconnection pipeline and the new wells related to the regional groundwater monitoring program.

Borrowing is appropriate to finance projects with high capital costs and long useful lives. Issuing bonds provides an equitable method of financing these types of projects. Long term financing of capital projects spreads the cost over the service life of that projects allowing several generations to benefit and pay for these projects and no one group of rate payers will be unfairly burdened. This also provides rate stabilization versus a "pay as you go" approach which will "spike" the RA during the years of construction.

The District is finalizing its efforts in putting together a debt financing package in order to fund the District's capital improvement projects and reimburse certain prior capital expenditures. Staff has had several all-hands meeting meetings with the financing team and has reviewed the documents stated above with the Finance Committee. Adopting Resolution 08-836 will approve the long term financing documents and allow the District to be prepared to issue debt when market conditions are most favorable to the District.

The documents are available at the District's web site www.wrd.org under Board Agendas and for review or inspection during the day of the Board meeting.

FISCAL IMPACT

The current sizing of the bonds is \$17,600,000. There are other factors that could affect the total cost of the issuance such as the interest rate at the time of the issuance, the rating of the bonds and the insurance costs, among other factors.

FINANCE COMMITTEE RECOMMENDATION

Adopt Resolution No. 08-07.

RESOLUTION NO. 08-07

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SOUTHERN CALIFORNIA WATER REPLENISHMENT
FINANCING CORPORATION APPROVING AN
INSTALLMENT PURCHASE AGREEMENT AND CERTAIN
OTHER DOCUMENTS, AUTHORIZING THE PREPARATION,
SALE AND DELIVERY OF CERTIFICATES OF
PARTICIPATION IN AN AMOUNT NOT TO EXCEED
\$20,000,000 AND AUTHORIZING CERTAIN ACTIONS IN
CONNECTION THEREWITH

WHEREAS, the Southern California Water Replenishment Financing Corporation is a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation") with the authority to assist in the financing of the acquisition of certain equipment and property improvements on behalf of the Water Replenishment District of Southern California (the "District");

WHEREAS, the District and the Corporation desire to enter into that certain Installment Purchase Agreement, currently dated as of October 1, 2008 between the District and the Corporation (the "Installment Purchase Agreement"), the form of which has been presented to this Board of Directors at the meeting at which this Resolution has been adopted pursuant to which the District will purchase the Project (defined in the Installment Purchase Agreement) from the Corporation and make certain Installment Payments (as defined in the Installment Purchase Agreement) and pay interest thereon in connection therewith which payments have been pledged to the owners of the Certificates of Participation (defined below) by the Corporation pursuant to a Trust Agreement, currently dated as of October 1, 2008, among U.S. Bank National Association, as trustee (the "Trustee"), the District and the Corporation (the "Trust Agreement"), the form of which has been presented to this Board of Directors at the meeting at which this Resolution has been adopted;

WHEREAS, the Corporation will, in accordance with the Installment Purchase Agreement, appoint the District as its agent to acquire, construct and improve the Acquisition Project (as defined in the Installment Purchase Agreement) component of the Project;

WHEREAS, the Corporation and the District have determined that it would be in the best interests of the Corporation and, the District to authorize the preparation, sale and delivery of Water Replenishment District of Southern California 2008 Revenue Certificates of Participation in aggregate principal amount not to exceed \$20,000,000 (the "Certificates"), which Certificates shall evidence proportionate interests in certain Installment Payments and interest thereon to be made pursuant to the Installment Purchase Agreement;

WHEREAS, the Corporation desires to assign its right to receive the Installment Payments made under the Installment Purchase Agreement and interest thereon from the District to the Trustee pursuant to an Assignment Agreement, dated as of October 1, 2008, by and between the Corporation and the Trustee (the "Assignment Agreement"), the form of which has

been presented to this Board of Directors at the meeting at which this Resolution was adopted; and

WHEREAS, the Board of Directors desires to enter into a Certificate Purchase Agreement (the "Purchase Agreement") among the District, the Corporation and E. J. De La Rosa & Co., Inc. (the "Underwriter"), pursuant to which the Underwriter will agree to buy the Certificates on the terms and conditions set forth therein, the form of which has been presented to this Board of Directors at the meeting at which this Resolution was adopted;

NOW, THEREFORE, the Board of Directors of the Corporation does hereby resolve as follows:

SECTION 1: Certificates. This Board of Directors hereby approves the preparation, sale and delivery of the Certificates in an aggregate principal amount not to exceed \$20,000,000 in accordance with the terms and provisions of the Trust Agreement. The purposes for which the proceeds of the sale of the Certificates shall be expended are to pay the cost of financing the acquisition of certain equipment and property improvements, to fund a reserve fund and to pay the costs of the sale and delivery of the Certificates, including insurance costs, if applicable.

SECTION 2: Certificate Documents. The forms of the Installment Purchase Agreement, the Purchase Agreement, the Trust Agreement and the Assignment Agreement (collectively, the "Agreements") substantially in the form presented at this meeting are approved. The President, Vice President, Directors and Secretary of the Corporation, or the President's designee (each, an "Officer"), are authorized and directed to execute and deliver said Agreements. The Agreements shall be executed substantially in the forms hereby approved, with such additions thereto and changes therein as are recommended or approved by counsel to the Corporation and approved by such officers of the Corporation executing the documents, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 3: Other Actions. The President, the Vice President, Directors and the Secretary of the Corporation, or such officer's designee, are authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the sale and delivery of the Certificates and the Installment Purchase Agreement, and otherwise to effectuate the purposes of this Resolution, including without limitation, obtaining insurance with respect to the payment of the interest and principal represented by the Certificates.

SECTION 6: Effect. This Resolution shall take effect from and after its date of adoption.

APPROVED AND ADOPTED by the Board of Directors of the Southern California Water Replenishment Financing Corporation on _____, 2008.

**SOUTHERN CALIFORNIA WATER
REPLENISHMENT FINANCING
CORPORATION**

President

ATTEST:

Secretary

[CORPORATION CERTIFICATION TO COME]