

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

9:00 A.M., FRIDAY, AUGUST 5, 2011

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.

1. DETERMINATION OF A QUORUM

2. PLEDGE OF ALLEGIANCE

3. INVOCATION

4. PUBLIC COMMENT

5. ADDITIONAL ITEMS TO AGENDA

Determine the need to add items to the agenda. In order for the Board to add an item to the agenda it must make a determination that: (i). The item came to the attention of the Board after the posting of the agenda; (ii). That there is a need for immediate action to be taken by the Board. If these two tests are met, the Board may add the item in question to the agenda for consideration consistent with the provisions of the Brown Act.

6. CONSENT CALENDAR

Consent Calendar items are considered routine by the Board of Directors and will be adopted by one motion. There will be no separate discussion of these items unless a Board Member so requests, in which event the item will be removed from the Consent Calendar and considered separately immediately following action on the remaining items.

A. MINUTES OF THE MEETING OF MAY 6, 2011

Staff Recommendation: Approve the minutes as submitted.

B. MINUTES OF THE MEETING OF JUNE 17, 2011

Staff Recommendation: Approve the minutes as submitted.

7. DEBT FINANCING UPDATE

Staff Recommendation: For information.

**8. DEBT FINANCING ISSUANCE - CONSIDERATION OF RESOLUTION
NO. 11-909 – A RESOLUTION OF THE WATER REPLENISHMENT DISTRICT
OF SOUTHERN CALIFORNIA APPROVING AN INSTALLMENT PURCHASE
AGREEMENT, A TRUST AGREEMENT, A CERTIFICATE PURCHASE**

AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND AN OFFICIAL STATEMENT; MAKING CERTAIN DETERMINATIONS RELATING THERETO; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

Ad Hoc Bond Financing Committee Recommendation: Adopt Resolution No. 11-909.

9. **GENERAL MANAGER'S REPORT**
10. **DISTRICT COUNSEL'S REPORT**
11. **AB 1234 COMPLIANCE REPORTS AND DIRECTORS REPORTS**
12. **WRD BOARD MEETING DATES**
 - A. August 19, 2011 – 9:00 a.m. – Board of Directors Meeting
 - B. September 16, 2011 – 9:00 a.m. – Board of Directors Meeting
 - C. October 21, 2011 – 9:00 a.m. – Board of Directors Meeting
 - D. November 18, 2011 – 9:00 a.m. – Board of Directors Meeting
13. **CLOSED SESSION**
 - A. Conference with Legal Counsel – Existing Litigation, pursuant to Government Code § 54956.9(a), California Water Service Company, et al. v. City of Compton, et al., Case No. 506 806
 - B. Conference with Legal Counsel – Existing Litigation, pursuant to Government Code § 54956.9(a) Central and West Basin Water Replenishment District v. Charles Adams; L.A.S.C. Case No. 786,656
 - C. Conference with Labor Negotiator: Clifton Albright
Employee Organization: American Federation of State, County and Municipal Employees (AFSCME)
 - D. Conference with Legal Counsel – Existing Litigation
Pursuant to Government Code §54956.9
Name of Case: City of Cerritos, City of Downey and City of Signal Hill v. Water Replenishment District of Southern California
Case No.: Los Angeles County Superior Court BS128136
 - E. Conference with Legal Counsel – Existing Litigation
Pursuant to Government Code §54956.9
Name of Case: Central Basin Municipal Water District v. Water Replenishment District of Southern California, and Does 1 through 50
Case No.: Los Angeles County Superior Court BS129817
 - F. Conference with Legal Counsel – Existing Litigation
Pursuant to Government Code §54956.9
Name of Case: Central Basin Municipal Water District v. Water Replenishment District of Southern California
Case No.: Los Angeles County Superior Court BS 132202
 - G. Conference with Legal Counsel – Anticipated Litigation, Pursuant to Government Code §54956.9 (b), One Case

- H. Public Employee Performance Evaluation, pursuant to Government Code §54957
Title: General Manager
- I. Conference with Legal Counsel - Anticipated litigation, Pursuant to Government Code §54956.9

14. ADJOURNMENT

Agenda posted by Abigail C. Andom, Deputy Secretary, August 2, 2011. In compliance with ADA requirements, this document can be made available in alternative formats upon request.

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.

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UNAPPROVED
MINUTES

UNAPPROVED
MINUTES

**MINUTES OF JUNE 17, 2011
MEETING OF THE BOARD OF DIRECTORS
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA**

A meeting of the Board of Directors of the Water Replenishment District of Southern California was held on June 17, 2011 at 9:25 a.m. in the District office located at 4040 Paramount Boulevard, Lakewood, California. President Sergio Calderon called the meeting to order. Deputy Secretary Abigail C. Andom recorded the minutes.

1. DETERMINATION OF A QUORUM

President Calderon declared that a quorum of Directors was present, which in addition to himself included Directors Rob Katherman, Lillian Kawasaki and Willard H. Murray, Jr. Director Albert Robles was excused.

2. PLEDGE OF ALLEGIANCE

Ed Chavez, President of the Upper San Gabriel Valley Municipal Water District, led the Pledge of Allegiance.

3. INVOCATION

President Calderon gave the Invocation.

4. ADDITIONAL ITEMS TO AGENDA

None.

5. PUBLIC COMMENT

General Manager Robb Whitaker stated that the District would like to acknowledge Senior Engineer Jason Weeks' ten years of dedicated service to WRD. A plaque and token of appreciation was given to Mr. Weeks.

6. CONSENT CALENDAR

- A. MINUTES OF THE MEETING OF APRIL 15, 2011**
- B. MINUTES OF THE SPECIAL MEETING OF APRIL 29, 2011**
- C. DEMANDS – MARCH 2011**
- D. FINANCIAL STATEMENTS – MARCH 31, 2011**
- E. RESERVES, CASH AND INVESTMENT REPORT FOR THE PERIOD ENDING MARCH 31, 2011**
- F. COMMUNITY BANKING – PREFERRED BANK**
- G. NO COST TIME EXTENSION OF RMC WATER AND ENVIRONMENT CONTRACT**
- H. NO COST TIME EXTENSION OF CH2M HILL CONTRACT**
- I. REQUEST FOR PROPOSAL (RFP) FOR FINAL DESIGN OF VANDER LANS FACILITY EXPANSION**
- J. CONTRACT AMENDMENT FOR GEOTRANS (TETRA TECH GEO) FOR WELL PROFILING SERVICES**
- K. SAN GABRIEL VALLEY PROTECTIVE ASSOCIATION MEMBERSHIP DUES FOR FISCAL YEAR 2011-2012**
- L. STRATEGIC SUPPORT SERVICES CONTRACT WITH KINDEL GAGAN, INC.**
- M. NO COST TIME EXTENSION FOR PROFESSIONAL SERVICES AGREEMENT WITH URS CORPORATION**
- N. ACWA REGION 8 NOMINATIONS**
- O. BOND UNDERWRITER RFQ**

Director Kawasaki asked that Agenda Item 6.O be removed from the Consent Calendar.

Director Katherman asked that Agenda Item 6.I be removed from the Consent Calendar and referred back to the Water Resources Committee.

Upon a motion duly made by Director Katherman, seconded by Director Kawasaki, and unanimously approved, it was

RESOLVED: That the Board approves the Consent Calendar of June 17, 2011, as amended.

6.O. BOND UNDERWRITER RFQ

Director Kawasaki stated that she was concerned about the level of debt as a percentage of overall expenditures. She asked the District's financial advisors whether this debt service percentage is something to be concerned about. Tom DeMars of Fieldman Rolapp responded that the issue is not material and what is important is the ability to make payments.

Upon a motion duly made by Director Kawasaki, seconded by Director Murray, and unanimously approved, it was

RESOLVED: That the Board approves a short listed pool of five (5) underwriting firms for consideration as members of the Underwriting Syndicate for both debt issuance, as follows: (1) Blaylock Robert Van, LLP; (2) Cabrera Capital Markets, LLP; (3) De La Rosa & Company; (4) Kinsell, Newcomb & De Dios, Inc.; (5) Stone & Youngberg.

7. IN LIEU REPLENISHMENT

General Manager Robb Whitaker stated that, at its April Board meeting, the Metropolitan Water District (MWD) Board recommended that 225,000 acre feet of discounted imported water be made available to their member agencies through the end of 2011. Mr. Whitaker noted that this is the first time discounted replenishment water has been made available since May 2007.

Mr. Whitaker stated that the Long Beach Water Department (LBWD) has informed the District that they would be able to purchase up to 10,000 acre-feet of MWD discounted water as part of its participation in WRD's In-lieu replenishment program through the end of 2011. He explained that this will result in LBWD foregoing pumping groundwater and instead purchase MWD discounted imported water. He noted that this in-lieu arrangement with LBWD will provide an alternative method of replenishing the lower Central groundwater basin.

Upon a motion duly made by Director Murray, seconded by Director Kawasaki, and unanimously approved, it was

RESOLVED: That the Board executes an agreement with Long Beach Water Department for up to 10,000 acre-feet of Seasonal Storage Long Term In-Lieu Replenishment water for the period from July 1, 2011 to December 31, 2011, subject to approval of form by District Counsel, for an amount not to exceed \$1,600,000.

8. COMMITTEE DELINEATION OF DUTIES

The item was deferred to the next Board meeting.

9. SB 759 (LIEU) – COMMON INTEREST DEVELOPMENTS: ARTIFICIAL TURF

Upon a motion duly made Director Katherman, seconded by Director Kawasaki, and unanimously approved, it was

RESOLVED: That the Board adopts a “Support” position on SB 759.

10. AB 1292 (HERNANDEZ) – SAFE DRINKING WATER STATE REVOLVING FUND: REVENUE BONDS

Upon a motion duly made Director Kawasaki, seconded by Director Katherman, and unanimously approved, it was

RESOLVED: That the Board adopts a “Support” position on AB 1292.

11. SB 263 (PAVLEY) – WELLS: REPORTS: PUBLIC AVAILABILITY

Upon a motion duly made Director Murray, seconded by Director Katherman, and unanimously approved, it was

RESOLVED: That the Board adopts a "Support" position on SB 263.

12. SB 607 (WALTERS) – STATE WATER RESOURCES CONTROL BOARD: WATER QUALITY: BRACKISH GROUNDWATER TREATMENT

Upon a motion duly made Director Murray, seconded by Director Kawasaki, and unanimously approved, it was

RESOLVED: That the Board adopts a "Support if Amended" position on SB 607.

13. LEGISLATIVE REPORT

Government Affairs Manager Adeline Yoong provided an update on federal and state legislative activities. On the federal side, Ms. Yoong stated that the House Appropriations Committee marked up the fiscal year 2012 Energy and Water Appropriations bill last week. She noted that the bill contains instructions and funding for the Corps of Engineers and the Bureau of Reclamation. The House is expected to consider bill during the week of July 4.

On the state side, Ms. Yoong stated that the Legislature passed the budget by the constitutional deadline of June 15 or permanently forfeit their salary for each day the budget is late. Governor Brown vetoed the budget the following day. She explained that the Controller, who issues state paychecks, will analyze the budget bills to determine whether lawmakers met the voter-approved requirement to pass a budget by June 15 to get paid. Ms. Yoong also informed the Board that draft redistricting maps have been released by the California Citizens Redistricting Commission. She noted that the Commission will continue to receive public input in hearings across the state with the final maps expected to be completed by August 15, 2011.

14. GENERAL MANAGER'S REPORT

General Manager Robb Whitaker extended Father's Day greetings.

15. DISTRICT COUNSEL REPORT

Deferred to closed session.

16. AB 1234 COMPLIANCE REPORTS AND DIRECTORS' REPORTS

Director Kawasaki stated that she will submit her meetings in writing. She noted that the Local Agency Formation Commission (LAFCO), on which she sits as an Alternate, met and held discussions on East Los Angeles cityhood. She stated that public hearings will be held in September.

Director Katherman stated that he will submit his meetings in writing.

Director Murray stated that he met with a representative from the Southern California Golf Association regarding water for golf courses. He noted that he invited the group for a staff presentation on the different kinds and quality of water that may be used for golf courses.

President Calderon stated that he will submit his meetings in writing. He asked that the Administrative Committee review the District's insurance policies for liability, property and workers compensation coverage. He also asked that an Ad Hoc Work Force and Economic Development Committee meeting be scheduled.

17. WRD BOARD MEETING DATES

- A. July 15, 2011 – 9:00 a.m. – Board of Directors Meeting
- B. August 19, 2011– 9:00 a.m. – Board of Directors Meeting
- C. September 16, 2011 – 9:00 a.m. – Board of Directors Meeting
- D. October 21, 2011 – 9:00 a.m. – Board of Directors Meeting

18. CLOSED SESSION

- A. Conference with Legal Counsel – Existing litigation, pursuant to Government Code §54956.9(a), California Water Service Company, et al. v. City of Compton, et al., Case No. 506 806
- B. Conference with Legal Counsel – Existing litigation, pursuant to Government Code §54956.9(a), Central and West Basin Water Replenishment District v. Charles Adams; L.A.S.C. Case No. 786, 656
- C. Conference with Labor Negotiator: Clifton Albright
Employee Organization: American Federation of State County & Municipal Employees (AFSCME)
- D. Conference with Legal Counsel – Existing Litigation
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Name of Case: City of Cerritos, City of Downey and City of Signal Hill v. Water Replenishment District of Southern California
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Case No.: Los Angeles Superior Court BS 129817
- F. Conference with Legal Counsel – Anticipated Litigation, Pursuant to Government Code §54956.9 (b), One Case
- G. Public Employee Performance Evaluation, pursuant to Government Code §54957
Title: General Manager

The Board went into closed session. The Board reconvened in open session.

Interim District Counsel H. Francisco Leal reported that for Agenda Items 18.A to 18.G, status reports were provided and no action was taken. He stated that for Agenda Item 18.D, one action was taken by the Board with a unanimous vote, noting that Director Robles was excused from the meeting, that the Board retains the services of Jim Ciampa of Lagerlof, Senecal, Gosney and Kruse.

19. ADJOURNMENT

President Calderon asked if there was any further business to come before the Board, and there being none, the meeting was adjourned at 12:10 p.m., upon a motion duly made by President Calderon and seconded by Director Katherman.

Sergio Calderon, President

ATTEST:

Robert Katherman, Secretary



MEMORANDUM

ITEM NO. 7

Prepared by: J H Shaunessy

Reviewed by: Scott M. Ota

Approved by: Robb Whitaker

DATE: AUGUST 5, 2011

TO: BOARD OF DIRECTORS

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: DEBT FINANCING UPDATE

SUMMARY

After the adoption of the budget on May 6, 2011 the District began a series of meetings with the Financing Team (composed of the members of the Ad Hoc Bond Financing Committee, underwriters, disclosure counsel, attorneys and the District's financial advisors) to create the necessary documentation for the issuance of the Revenue Certificates of Participation. This COP issuance facilitates the implementation of WRD's Water Independence Now (WIN) Program which is designed to develop local water supplies as an alternative to imported water for replenishment purposes. By financing rather than using the "pay as you go method" WRD avoids spikes to the replenishment assessment (RA) but also spreads the expense of the WIN Program proportionally over the thirty year life of the project to all those in the District who will benefit from the Water Independence Now Program.

The highest quality Revenue Certificates of Participation are rated AAA. Ratings reflect an agency's overall credit strength. In its 2004 debt issuance, the District used Standard & Poor's and Fitch and received ratings of AA- and AA, respectively. Due to our determined, strong and consistent financial management as well as the 14 awards that the District has won for the Comprehensive Annual Financial Report (CAFR) and the Annual Budget, WRD received an upgrade from Standard & Poor's and from Fitch Ratings to AA+. The end result is that WRD has some of the strongest rated debt in the State of California.

(Investment grade bonds go from AAA, AA +/-, A +/- and BBB +/- . There are no intermediate modifiers (+) or (-) in the AAA category.)

The members of the Ad Hoc Bond Financing Committee members accompanied by staff and attorneys met with both Standards and Poor's and Fitch and gave an extensive presentation to both rating agencies. Staff has since continued to provide additional documentation and answer questions submitted from the rating agencies to further supplement the presentation.

Staff will provide an update to the Board of Directors regarding any additional information derived.

FISCAL IMPACT

None.

STAFF RECOMMENDATION
For information.



MEMORANDUM

ITEM NO. 8

Prepared by: J H Shaunessy

Reviewed by: Scott M. Ota

Approved by: Robb Whitaker

DATE: AUGUST 5, 2011

TO: BOARD OF DIRECTORS

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: DEBT FINANCING ISSUANCE - CONSIDERATION OF RESOLUTION NO. 11-909 – A RESOLUTION OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA APPROVING AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CERTIFICATE PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND AN OFFICIAL STATEMENT; MAKING CERTAIN DETERMINATIONS RELATING THERETO; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

SUMMARY

WRD implemented its Water Independence Now (WIN) Program to develop local water supplies as an alternative to imported water for replenishment purposes. WRD's bond issuance will fund the continuance of that effort. Without financing, the funds needed to pay for the WIN/Capital Improvement Plan (CIP) in order to achieve water independence would have taken years to accumulate with a corresponding spike to the replenishment assessment until the entire "pay as you go" fund balance had been accomplished. Not only would this accumulation of funds be cost prohibitive it would also shifted the burden of the full payment of the projects to the current Replenishment Assessment stakeholders rather than spreading the expense of the WIN Program proportionally over the thirty year life of the project to all those in the District who will benefit. Therefore during the Fiscal Year 2011-12 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.

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 projects in this long term financing include the (GRIP), Leo J Vander Lans Expansion, Safe Drinking Water Program and Groundwater Monitoring Well 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 meetings with the financing team and has reviewed the documents stated above with the Finance Committee. Adopting Resolution No. 11-09 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.

FISCAL IMPACT

The current sizing of the bonds is approximately \$65,000,000. 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 among other factors.

AD HOC BOND FINANCING COMMITTEE RECOMMENDATION

Adopt Resolution No. 11-909.

RESOLUTION NO. 11-909

RESOLUTION OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA APPROVING AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CERTIFICATE PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, AN OFFICIAL STATEMENT AND A FIRST AMENDMENT TO MASTER AGREEMENT FOR DISTRICT OBLIGATIONS; MAKING CERTAIN DETERMINATIONS RELATING THERETO; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Water Replenishment District of Southern California (the "District") is a special district duly organized and validly existing under the laws of the State of California; and

WHEREAS, the District is authorized to sell and purchase its property to finance and refinance public capital improvements, including those improvements constituting the Project (as defined below); and

WHEREAS, in order to finance the Project, the District has determined to enter into an Installment Purchase Agreement with the Southern California Water Replenishment Financing Corporation (the "Corporation") pursuant to which the District will purchase the Project from the Corporation; and

WHEREAS, in accordance with the Installment Purchase Agreement, the District will be obligated to make certain installment payments to the Corporation; and

WHEREAS, the District has determined that it would be in the best interests of the District to authorize the preparation, execution and delivery of its Water Replenishment District of Southern California 2011 Revenue Certificates of Participation (the "Certificates"), in a principal amount not to exceed \$70,000,000, which Certificates shall be payable from, among other sources, installment payments made by the District under the Installment Purchase Agreement, all under and in accordance with the laws of the State of California; and

WHEREAS, in order to provide for the financing of certain capital improvements of the District's capital facilities, the Corporation and the District have previously executed and delivered that certain Master Agreement for District Obligations, dated as of November 1, 2004 (the "Master Agreement"); and

WHEREAS, in order to provide greater flexibility to the District in funding its capital improvements, the District and the Corporation desire to amend the Master Agreement, as permitted by the Master Agreement, pursuant to a First Amendment to Master Agreement for District Obligations, dated as of August 1, 2011 (the "Amendment"); and

WHEREAS, there have been presented at this meeting forms of an Installment Purchase Agreement, a Trust Agreement, a Certificate Purchase Agreement, a Continuing Disclosure Agreement, a preliminary official statement and the Amendment.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA AS FOLLOWS:

SECTION 1. Approval of Installment Purchase Agreement. The Installment Purchase Agreement, currently dated as of August 1, 2011 (the "Installment Purchase Agreement"), between the District and the Corporation, substantially in the form presented to the District at this meeting, is hereby approved. The President of the Board of Directors, the General Manager and the District Secretary or any other officers duly designated by the District (the "Officers") are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Installment Purchase Agreement, in substantially the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 2. Approval of Trust Agreement. The Trust Agreement currently dated as of August 1, 2011 (the "Trust Agreement"), among the Corporation, U.S. Bank National Association (the "Trustee") and the District, substantially in the form presented to the District at this meeting, is hereby approved. The Officers are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Trust Agreement, in substantially the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof. In connection therewith, the District approves the execution and delivery of the Certificates so long as the true interest cost does not exceed 6.00%, the underwriter's discount (excluding original issue discount) does not exceed 0.80%, the maturity does not exceed thirty years and the principal amount does not exceed \$70,000,000.

SECTION 3. Approval of Certificate Purchase Agreement. The Certificate Purchase Agreement (the "Purchase Agreement"), between the District and Kinsell, Newcomb & De Dios, Inc., as representative of the underwriters (the "Underwriter"), substantially in the form presented to the District at this meeting, is hereby approved. The Officers are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Purchase Agreement, in substantially the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 4. Approval of Preliminary and Final Official Statement. The form of Preliminary Official Statement as presented to the District at this meeting, is hereby approved. The Officers are hereby authorized and directed, for and on behalf of the District, to execute all certificates necessary to deem final the Preliminary Official Statement as of its date, with the exception of certain final pricing and related information. The Officers are hereby authorized

and directed, for and on behalf of the District, to execute and deliver the final Official Statement when completed, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof. The use and distribution of said Preliminary Official Statement and use and distribution of the final Official Statement in connection with the sale of the Certificates is hereby ratified and approved. The Underwriter is directed to deliver copies of the final Official Statement to all actual purchasers of the Certificates. The District hereby authorizes and directs the Officers, or any of them, to approve, and to deem nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the portions of the Preliminary Official Statement for the Certificates which describe the Corporation and its obligations.

SECTION 5. Approval of Continuing Disclosure Agreement. The proposed form of the Continuing Disclosure Agreement, currently dated as of August 1, 2011 (the "Continuing Disclosure Agreement"), between U.S. Bank National Association (the "Dissemination Agent") and the District, as presented to the District at this meeting, is hereby approved. The Officers are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Continuing Disclosure Agreement, in substantially the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 6. Approval of Amendment. The form of the Amendment, substantially in the form presented at this meeting, is approved. The Officers are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Amendment, in substantially the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof

SECTION 7. Other Acts. The Officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, which in consultation with District Counsel, Nossaman LLP, special counsel and Greenberg Traurig LLP, disclosure counsel, they may deem necessary or advisable in order 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 or ratings on the Certificates.

SECTION 8. Effective Date. This Resolution shall take effect upon adoption.

APPROVED AND ADOPTED by the Board of Directors of the Water Replenishment District of Southern California on August 5, 2011.

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

Sergio Calderon, President

ATTEST:

Robert Katherman, Secretary

[DISTRICT CERTIFICATION TO COME]

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

9:00 A.M., FRIDAY, AUGUST 5, 2011

AGENDA

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- 1. DETERMINATION OF A QUORUM**
- 2. PUBLIC COMMENT**
- 3. DEBT FINANCING ISSUANCE - CONSIDERATION OF RESOLUTION NO. 11-09 – 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 \$70,000,000 AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH**
Ad Hoc Bond Financing Committee Recommendation: Adopt Resolution No. 11-09.
- 4. ADJOURNMENT**

Agenda posted by Abigail C. Andom, Deputy Secretary, August 2, 2011. In compliance with ADA requirements, this document can be made available in alternative formats upon request.

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MEMORANDUM

ITEM NO. 3

Prepared by: J H Shaunessy

Reviewed by: Scott M. Ota

Approved by: Robb Whitaker

DATE: AUGUST 5, 2011

TO: BOARD OF DIRECTORS

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: DEBT FINANCING ISSUANCE - CONSIDERATION OF RESOLUTION NO. 11-09 – 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 \$70,000,000 AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH

SUMMARY

WRD implemented its Water Independence Now (WIN) Program to develop local water supplies as an alternative to imported water for replenishment purposes. WRD's bond issuance will fund the continuance of that effort. Without financing, the funds needed to pay for the WIN/Capital Improvement Plan (CIP) in order to achieve water independence would have taken years to accumulate with a corresponding spike to the replenishment assessment until the entire "pay as you go" fund balance had been accomplished. Not only would this accumulation of funds be cost prohibitive it would also shifted the burden of the full payment of the projects to the current Replenishment Assessment stakeholders rather than spreading the expense of the WIN Program proportionally over the thirty year life of the project to all those in the District who will benefit. Therefore during the Fiscal Year 2011-12 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.

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 projects in this long term financing include the (GRIP), Leo J Vander Lans Expansion, Safe Drinking Water Program and Groundwater Monitoring Well 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 meetings with the financing team and has reviewed the documents stated above with the Finance Committee. Adopting Resolution No. 11-09 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.

FISCAL IMPACT

The current sizing of the bonds is approximately \$65,000,000. 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 among other factors.

AD HOC BOND FINANCING COMMITTEE RECOMMENDATION

Adopt Resolution No. 11-09.

RESOLUTION NO. 11-09

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTHERN CALIFORNIA WATER REPLENISHMENT FINANCING CORPORATION APPROVING AN INSTALLMENT PURCHASE AGREEMENT, A FIRST AMENDMENT TO MASTER AGREEMENT FOR DISTRICT OBLIGATIONS AND CERTAIN OTHER DOCUMENTS, AUTHORIZING THE PREPARATION, SALE AND DELIVERY OF CERTIFICATES OF PARTICIPATION IN AN AMOUNT NOT TO EXCEED \$70,000,000 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 August 1, 2011 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 August 1, 2011, 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 2011 Revenue Certificates of Participation in aggregate principal amount not to exceed \$70,000,000 (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 August 1, 2011, 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;

WHEREAS, the Board of Directors desires to enter into a Certificate Purchase Agreement (the "Purchase Agreement") among the District, the Corporation and Kinsell, Newcomb & De Dios, Inc., as representative of the underwriters (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;

WHEREAS, in order to provide for the financing of certain capital improvements of the District's capital facilities, the Corporation and the District have previously executed and delivered that certain Master Agreement for District Obligations, dated as of November 1, 2004 (the "Master Agreement"); and

WHEREAS, in order to provide greater flexibility to the District in funding its capital improvements, the District and the Corporation desire to amend the Master Agreement, as permitted by the Master Agreement, pursuant to a First Amendment to Master Agreement for District Obligations, dated as of August 1, 2011 (the "Amendment").

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 \$70,000,000 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: Approval of Amendment. The form of the Amendment, substantially in the form presented at this meeting, is approved. An Officer is authorized and directed to execute and deliver said Amendment. The Amendment 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 4: 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 5: 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 August 5, 2011.

**SOUTHERN CALIFORNIA WATER
REPLENISHMENT FINANCING
CORPORATION**

Sergio Calderon, President

ATTEST:

Robert Katherman, Secretary

[CORPORATION CERTIFICATION TO COME]