

**MEETING OF THE BOARD OF DIRECTORS WATER
REPLENISHMENT DISTRICT FINANCING AUTHORITY
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA
4040 PARAMOUNT BLVD., LAKEWOOD, CA. 90712
11:00 AM, WEDNESDAY, NOVEMBER 7, 2018**

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. PUBLIC COMMENT**
Pursuant to Government Code Section 54954.3
- 3. RESOLUTION OF THE BOARD OF DIRECTORS OF THE FINANCING AUTHORITY OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA (I) APPROVING THE ISSUANCE OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY REPLENISHMENT ASSESSMENT REVENUE BONDS, SERIES 2018 IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$80,000,000; (II) APPROVING THE FORMS AND AUTHORIZING THE EXECUTION OF AN INSTALLMENT PURCHASE AGREEMENT, AN INDENTURE OF TRUST, A CONTINUING DISCLOSURE AGREEMENT, A PURCHASE AGREEMENT AND OTHER RELATED DOCUMENTS; (III) APPROVING THE DELIVERY OF AN OFFICIAL STATEMENT; AND (IV) APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH**
Staff Recommendation: The Finance/Audit Committee recommends that the Board of Directors of the Financing Authority of the Water Replenishment District adopt the attached resolution authorizing the 2018 Bond issuance.
- 4. OTHER BUSINESS**
- 5. ADJOURNMENT**

Agenda posted on 11/04/2018. In compliance with the Americans with Disabilities Act (ADA), if special assistance is needed to participate in the meeting, please contact the Brandon Mims, Board Deputy Secretary 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. EXHAUSTION OF ADMINISTRATIVE REMEDIES – If you challenge a District action in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Deputy Secretary at, or prior to, the public hearing. Any written correspondence delivered to the District office before the District's final action on a matter will become a part of the administrative record.

**MEMORANDUM****ITEM NO. 3**

DATE: NOVEMBER 07, 2018

TO: FINANCING AUTHORITY

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: RESOLUTION OF THE BOARD OF DIRECTORS OF THE FINANCING AUTHORITY OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA (I) APPROVING THE ISSUANCE OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY REPLENISHMENT ASSESSMENT REVENUE BONDS, SERIES 2018 IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$80,000,000; (II) APPROVING THE FORMS AND AUTHORIZING THE EXECUTION OF AN INSTALLMENT PURCHASE AGREEMENT, AN INDENTURE OF TRUST, A CONTINUING DISCLOSURE AGREEMENT, A PURCHASE AGREEMENT AND OTHER RELATED DOCUMENTS; (III) APPROVING THE DELIVERY OF AN OFFICIAL STATEMENT; AND (IV) APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH

SUMMARY

On October 17, 2018, the Board of Directors approved the District's 5-Year Capital Improvement Plan (CIP) and looks to the capital funding needs for the next two years. The Albert Robles Center (ARC) is expected to be delivering product water by December 2018 and thus completes a major accomplishment of becoming independent of expensive and unreliable imported water. The District has also completed the Goldsworthy Desalter Expansion Project which doubled the design capacity of the facility from 2.5 million gallons per day (mgd) to 5.0 mgd. As the WRD looks towards the future, it is evident that additional funds will be needed to continue WRD's mission to supply clean and reliable water to the West Coast and Central Groundwater Basins.

In January 2018, the Board of Directors approved the bond financing professionals which includes the underwriter syndicate with Wells Fargo as the senior manager and

lead underwriter with Cabrera Capital and FTN Financial as the other members of the syndicate, Nixon Peabody as the District's Bond and Disclosure Counsel.

With District staff leading the Financing Team, we have the following drafts of bond documents in substantially final forms completed:

1. Preliminary Official Statement
2. Indenture of Trust
3. Installment Purchase Agreement
4. Bond Purchase Agreement
5. Continuing Disclosure Agreement
6. WRD Authority Resolution

Both Standard & Poor's and Fitch Rating have affirmed the District's bond rating as AA+ / Stable.

The attached documents have been reviewed by the Finance/Audit Committee and are being forwarded to the Board of Directors for approval.

Good Faith Estimates

The following information was obtained from Wells Fargo Securities, as underwriter advisor for the Bonds, with respect to the Bonds, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Bonds:

1. True Interest Cost of the Bonds. Assuming the maximum aggregate principal amount of the Bonds authorized (\$80,000,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 4.50%.
2. Finance Charge of the Bonds. Assuming the maximum aggregate principal amount of the Bonds authorized (\$80,000,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the Bonds, which means the sum of all fees and charges paid to third parties, is \$950,000.
3. Amount of Proceeds to be Received. Assuming the maximum aggregate principal amount of the Bonds authorized (\$80,000,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received for sale of the Bonds less the finance charge of the Bonds described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$80,000,000.

4. Total Payment Amount. Assuming the maximum aggregate principal amount of the Bonds authorized (\$80,000,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Bonds plus the finance charge of the Bonds described in paragraph 2 above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$150,000,000.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of Bond sales, the amount of Bonds sold, the amortization of the Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Bonds sold will be determined by the Authority and the District based on need for project funds and other factors. The actual interest rates at which the Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale. Market interest rates are affected by economic and other factors beyond the District's and the Authority's control.

FISCAL IMPACT

Based on SB450 5852.1 (a)(1)(A)-(D) the attached "Good Faith Estimate Rider" provides a financial assessment of the fiscal impact of the bonds based on the amount not to exceed of \$80,000,000.

STAFF RECOMMENDATION

The Finance/Audit Committee recommends that the Board of Directors of the Financing Authority of the Water Replenishment District adopt the attached resolution authorizing the 2018 Bond issuance.

RESOLUTION NO. 3

RESOLUTION OF THE BOARD OF DIRECTORS OF THE FINANCING AUTHORITY OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA (I) APPROVING THE ISSUANCE OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA FINANCING AUTHORITY REPLENISHMENT ASSESSMENT REVENUE BONDS, SERIES 2018 IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$80,000,000; (II) APPROVING THE FORMS AND AUTHORIZING THE EXECUTION OF AN INSTALLMENT PURCHASE AGREEMENT, AN INDENTURE OF TRUST, A CONTINUING DISCLOSURE AGREEMENT, A PURCHASE AGREEMENT AND OTHER RELATED DOCUMENTS; (III) APPROVING THE DELIVERY OF AN OFFICIAL STATEMENT; AND (IV) APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Bond Law”) and a Joint Exercise of Powers Agreement, dated August 6, 2015 (the “JPA Agreement”), by and between the Water Replenishment District of Southern California (the “District”) and the California Municipal Finance Authority (the “CMFA”), the District and CMFA created the Water Replenishment District of Southern California Financing Authority (the “Authority”); and

WHEREAS, pursuant to Bond Law and the JPA Agreement, the Authority is authorized to borrow money for the purpose of assisting the District in the financing and refinancing of costs related to public capital improvements of the District; and

WHEREAS, it has been proposed that the Authority assist the District in the financing of certain public capital improvements of the District (the “Improvements”); and

WHEREAS, to assist the District with the financing of the Improvements, it has been proposed that the District enter into an Installment Purchase Agreement (the “Installment Purchase Agreement”), by and between the District and the Authority, the proposed form of which has been presented to this Board of Directors, pursuant to which the District will agree to make certain installment purchase payments (the “Purchase Payments”) in connection therewith; and

WHEREAS, the Authority and the District have determined that it would be in the best interests of the Authority and the District to authorize, pursuant to an Indenture of Trust (the “Indenture”), by and among the Authority, the District and U.S. Bank National Association, as trustee (the “Trustee”), the proposed form of which has been presented to this Board of Directors, the issuance of the Authority’s Replenishment Assessment Revenue Bonds, Series 2018 (the “Bonds”) in the aggregate principal amount of not to exceed \$80,000,000 under the provisions of the Bond Law; and

WHEREAS, the Bonds will be offered for sale through a Preliminary Official Statement and an Official Statement, the proposed form of which has been presented to this Board of Directors; and

WHEREAS, it has been proposed that the District enter into a Purchase Agreement (the “Purchase Agreement”) with Wells Fargo Bank, National Association, as representative of itself, FTN Financial Capital Markets and Cabrera Capital Markets, LLC (collectively, the “Underwriters”), the proposed form of which has been presented to this Board of Directors, providing for the purchase of the Bonds by the Underwriters; and

WHEREAS, it has been proposed that the District enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) with the Trustee, the proposed form of which has been presented to this Board of Directors, in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12; and

WHEREAS, the District has determined that it is in the best public interest of the District to approve the above documents and authorize and approve the transactions contemplated thereby;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FINANCING AUTHORITY OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA AS FOLLOWS:

Section 1. The Board of Directors of the Financing Authority of the Water Replenishment District of Southern California (“Board of Directors”) hereby approves the issuance of the Bonds by the Authority under and pursuant to the Bond Law; provided, the aggregate principal amount of the Bonds shall not exceed \$80,000,000. The Bonds shall be issued pursuant to the Indenture. The Board of Directors hereby approves the Indenture in the form thereof on file with the Secretary, together with such additions thereto and changes therein as are approved in accordance with Section 6 hereof, such approval to be conclusively evidenced by the execution and delivery thereof.

The President of the Board of Directors of the District, the Secretary of the Board of Directors of the District, the General Manager of the District and the Chief Financial Officer of the District, and their respective designees (each, an “Authorized Officer”), are each hereby authorized to execute the final form of the Indenture, for and in the name and on behalf of the District. The Board of Directors hereby authorizes the delivery and performance of the Indenture.

The Board of Directors hereby approves the issuance of the Bonds in accordance with the terms and provisions of the Indenture (as executed and delivered).

Section 2. The Board of Directors hereby approves the Installment Purchase Agreement in the form thereof on file with the Secretary, together with such additions thereto and changes therein as are approved in accordance with Section 6 hereof, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized to execute the final form of the Installment Purchase Agreement, for and in the name and on behalf of the District. The Board of Directors hereby authorizes the delivery and performance of the Installment Purchase Agreement.

Section 3. The Board of Directors hereby approves the Continuing Disclosure Agreement in the form on file with the Secretary, together with such additions thereto and changes therein as are approved by Section 6 hereof, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized to execute

the final form of the Continuing Disclosure Agreement, for and in the name and on behalf of the District. The Board of Directors hereby authorizes the delivery and performance of the Continuing Disclosure Agreement.

Section 4. The Board of Directors hereby approves the Purchase Agreement in the form thereof on file with the Secretary, together with such additions thereto and changes therein as are approved by Section 6 hereof, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized to execute the final form of the Purchase Agreement, for and in the name and on behalf of the District. The Board of Directors hereby authorizes the delivery and performance of the Purchase Agreement.

Section 5. The Board of Directors hereby approves the Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement") in the form thereof on file with the Secretary, with such additions thereto and changes therein as are approved by any Authorized Officer, upon consultation with the District's counsel and Nixon Peabody LLP, Bond Counsel and Disclosure Counsel ("Bond Counsel"). Each of the Authorized Officers is hereby authorized to execute and deliver a certificate deeming the Preliminary Official Statement final for purposes of SEC Rule 15c2-12. Upon the pricing of the Bonds, each of the Authorized Officers is hereby authorized to prepare and execute a final Official Statement (the "Official Statement"), substantially in the form of the Preliminary Official Statement, with such additions thereto and changes therein as approved by any Authorized Officer, upon consultation with the District's counsel and Bond Counsel. The Board of Directors hereby authorizes the distribution of the Preliminary Official Statement and the Official Statement by the Underwriters in connection with the offering and sale of the Bonds.

Section 6. The agreements approved in Sections 1, 2, 3 and 4 of this Resolution shall, when executed and delivered pursuant to said sections, contain such additions and changes as shall have been approved by the Authorized Officers. Each Authorized Officer is hereby authorized to determine, in connection with the execution and delivery of the agreements approved in Sections 1, 2, 3 and 4 hereof, the following with respect to the Bonds:

- (i) the aggregate principal amount of the Bonds, which shall not exceed \$80,000,000;
- (ii) the capital projects to be financed with the proceeds of the Bonds;
- (iii) the final Purchase Payment under the Installment Purchase Agreement, which shall be due and payable not later than August 1, 2049;
- (iv) the all-in true interest cost rate on the Bonds, which shall not exceed 5.0% per annum; and
- (v) the Underwriters' discount on the Bonds, which shall not exceed 0.375% of the aggregate principal amount thereof.

Section 7. The President of the Board of Directors of the District, the Secretary of the Board of Directors of the District, the General Manager of the District, the Chief Financial Officer of the District, the District's counsel and the other officers, employees and agents of the District

are hereby authorized and directed, jointly and severally, for and in the name of the District, to do any and all things and to take all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds, and to consummate the transactions contemplated by the Indenture, the Installment Purchase Agreement, the Continuing Disclosure Agreement, the Purchase Agreement and this Resolution, and such actions previously taken by such officers, employees and agents are hereby ratified and confirmed.

Section 8. This Resolution shall take effect immediately upon its passage.

ADOPTED by the Board of Directors of the Financing Authority of the Water Replenishment District of Southern California at a regular meeting of the Financing Authority held on the ____ day of _____, 2018, by the following vote:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

John D.S. Allen, President

ATTEST:

Vera DeWitt, Deputy Secretary