

Minutes

Sacramento Suburban Water District
Financing Corporation Special Board Meeting
Monday, May 18, 2009

Call to Order

Director Schild called the meeting to order at 7:40 p.m.

Roll Call

Directors Present: Ken Decio, Thomas Fellenz, Frederick Gayle, Stephen Hanson and Neil Schild.

Directors Absent: None.

Staff Present: President Robert Roscoe, Dan Bills, Ed Formosa, Jan Gentry, Dave Jones, Warren Jung, Annette O'Leary, John Valdes, Dan York, Lynne Yost and Legal Counsel Joshua Horowitz.

Public Present: None.

Public Comment

None.

Items for Discussion and Action

1. **Minutes of the January 26, 2009 Meeting**
MSC¹ (Fellenz/Decio) that the Board of Directors approve the minutes of the January 26, 2009 SSWD Financing Corporation Board Meeting, by unanimous vote.
2. **Resolution No. FC-09-02 Authorizing the Execution and Delivery of Not To Exceed \$48,000,000 Adjustable Rate Refunding Revenue Certificates of Participation Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith**
Dan Bills presented the staff report. The Series 2004 Certificates of Participation (COPs), which were issued in December 2004 (and amended in May 2008) for purposes of funding new capital projects. The 2008A COPs were split into two pieces, a Series A-1 and a Series A-2, which were issued in May 2008 for purposes of refinancing the 2005A COPs. The proceeds of the 2005A and B COPS were used to advance refund pre-merger existing debt. A floating-to-fixed rate SWAP Agreement was entered into simultaneous with the issuance of the 2005A COPs. The Series 2005B COPs are fixed-rate debt, which were issued in April 2005 and expire in November 2011, and are not subject to prepayment.

In May 2008, the District Board directed staff to convert the Series 2004 COPs from an auction rate mode (Auction Rate Securities, or ARS) to variable interest rate

¹Motion, Second, Carried.

instruments called Variable Rate Demand Obligations, or VRDOs. The conversion to VRDOs was necessary due to the instability and turmoil in the ARS market that drove interest rates to unacceptably high levels. The Series 2004 was converted to a VRDO with a Line-of-Credit from Dexia Bank Local (Dexia) added to the existing insurer Financial Security Assurance, Inc, (FSA).

Due to the current credit worthiness of FSA and Dexia the Series 2004 VRDOs were again trading at interest rates of unacceptably high levels. In March 2009, the District Board directed staff to replace the Line-of-Credit with Dexia and insurance with FSA on the Series 2004 VRDOs with a Letter-of Credit (LOC) from Sumitomo Mitsui Banking Corporation (SMBC). The Series 2008-1 COPs are being refinanced by the District in related proceedings. The Series 2008-2 COPs are not being refinanced. The SWAP Agreement will remain in place.

Resolution FC-09-02 approves the described documents subject to final changes approved by legal counsel and authorizes the Corporation President to execute the documents and take all necessary actions to substitute a LOC with SMBC on the Series 2004 COPs.

MSC (Hanson/Fellenz) that the Board of Directors adopt Resolution No. FC-09-02 Authorizing the Execution and Delivery of Not To Exceed \$48,000,000 Adjustable Rate Refunding Revenue Certificates of Participation Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith, by unanimous vote.

3. **Set Resolution No. FC-09-03 Authorizing the Execution and Delivery of Not to Exceed \$41,000,000 Fixed Rate Refunding Revenue Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith**

Mr. Bills and Doug Brown, Stradling Yocca Carlson & Rauth, presented the staff report. The Sacramento Suburban Water District (District) has four existing revenue bonds outstanding: The Series 2004 Certificates of Participation (COPs), which were issued in December 2004 (and amended in May 2008) for purposes of funding new capital projects. The 2008A COPs were split into two pieces, a Series A-1 and a Series A-2, which were issued in May 2008 for purposes of refinancing the 2005A COPs. The proceeds of the 2005A and B COPs were used to advance refund pre-merger existing debt. A floating-to-fixed rate SWAP Agreement was entered into simultaneous with the issuance of the 2005A COPs. The Series 2005B COPs are fixed-rate debt, which were issued in April 2005 and expire in November 2011, and are not subject to prepayment.

In May 2008, the District Board directed staff to convert the Series 2005A COPs from an auction rate mode (Auction Rate Securities, or ARS) to variable interest rate instruments called Variable Rate Demand Obligations, or VRDOs. The conversion to VRDOs was necessary due to the instability and turmoil in the ARS market that drove interest rates to unacceptably high levels. The Series 2005A was converted to VRDOs

with Letters-of-Credit (LOC) from Dexia Bank Local (Dexia) and Allied-Irish, p.l.c, respectively becoming Series 2008A-1 and A-2.

Due to the current credit worthiness of Dexia the Series 2008A-1 VRDOs were again trading at interest rates of unacceptably high levels. In March 2009, the District Board directed staff to refund the LOC with Dexia on the Series 2008A-1 with a fixed-rate, long-term bond to reduce the District's variable rate debt exposure and give the District greater cost certainty. The Series 2004 COPs are being refinanced by the District in related proceedings. The Series 2008-2 COPs are not being refinanced. The SWAP Agreement will remain in place.

Resolution FC-09-03 approves the described documents subject to final changes approved by legal counsel and authorizes the Corporation President to execute the documents and take all necessary actions to refund the Series 2008A-1 COPs into a fixed-rate, long-term bond.

MSC (Hanson/Decio) that the Board of Directors adopt Resolution No. FC-09-03 Authorizing the Execution and Delivery of Not to Exceed \$41,000,000 Fixed Rate Refunding Revenue Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith, by unanimous vote.

Director's Comments/Staff Statements and Requests

None.

Adjournment

Director Schild adjourned the meeting at 7:43 p.m.

Janet L. Gentry
Secretary, Sacramento Suburban Water District
Financing Corporation