

Agenda
Sacramento Suburban Water District
Financing Corporation Annual Board Meeting

3701 Marconi Avenue, Suite 100
Sacramento, California 95821

Monday, January 24, 2011
6:00 p.m.

Where appropriate or deemed necessary, the Board may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to the Board President. The President will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 679.3972. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Call to Order

Roll Call

Public Comment

This is the opportunity for the public to comment on non-agenda items within the Board's jurisdiction. Comments are limited to 3 minutes.

Information Item

1. Sacramento Suburban Water District Financing Corporation
Review the function of the Sacramento Suburban Water District Financing Corporation.

Items for Discussion and Action

2. Minutes of the July 26, 2010 Meeting
Consider approving the minutes of the July 26, 2010 special meeting.

3. Appointment of Officers for 2011
Consider appointment of officers for the Corporation.
4. Set Meeting Date for 2012
Consider scheduling the next annual meeting of the Corporation Board in January 2012.

Information Item

5. Chief Financial Officer's Report

Director's Comments/Staff Statements and Requests

The Board and District staff may ask questions for clarification, and make brief announcements and comments, and Board members may request staff to report back on a matter, or direct staff to place a matter on a subsequent agenda.

Adjournment

I certify that the foregoing agenda for the January 24, 2011 Sacramento Suburban Water District Financing Corporation Annual Board meeting was posted by January 20, 2011 at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was made available to the public during normal business hours.

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

Sacramento Suburban Water District Financing Corporation

Agenda Item: 1

Date: January 14, 2011

Subject: Sacramento Suburban Water District Financing Corporation

Staff Contact: Dan Bills, Chief Financial Officer / Joshua Horowitz, Legal Counsel

The Sacramento Suburban Water District Financing Corporation (“Corporation”) is a nonprofit public benefit corporation. Entities like the Corporation are formed by public agencies to assist those agencies with several functions related to issuing tax-exempt securities to finance the acquisition of new public capital facilities. The Corporation was originally established in 1997 by the Arcade Water District. The Corporation has no capital stock and no members. The Corporation has a Board of Directors equal to the number of Directors serving on the Sacramento Suburban Water District Board and four appointed officers. The District’s Directors serve *ex officio* as the Corporation’s directors and have full authority to direct the Corporation’s affairs and to appoint and remove its officers. The terms of the directors of the Corporation are concurrent with the District Directors’ terms of office. The current officers are all staff members and the District legal counsel acts as Corporation counsel. The Board’s policy generally has been to appoint staff members as officers to ensure that regular Corporation business such as annual financial reporting can be timely performed.

According to the Corporation’s Bylaws, the Corporation was formed for the purpose of acquiring, rehabilitating, and constructing public facilities. The Corporation has the authority to borrow money in the capital markets, for example by issuing certificates of participation, to pay for such public facilities. Although the Corporation has the authority to assist any public agency with the financing and acquiring of capital facilities, the Corporation is a captive of the District and intended solely to assist the District with constructing major capital facilities that are used to provide water service to the District’s customers. As a result, the Corporation has not been used by other public agencies for similar purposes.

In effect, the Corporation is a conduit between the District and the national capital markets. Its function arises from state and federal tax laws that have caused the need for complicated financing structures to guarantee the tax-exempt nature of the District’s certificates of participation and similar securities. The basic method for ensuring the tax-exempt status of the District’s securities requires that the District purchase the capital facilities it desires to construct from a third party entity that is considered the owner/contractor. The Corporation acts as the owner/contractor and fulfills the basic legal requirement that there be two parties to a contract. The Corporation purchases the District’s certificates of participation and then resells them to the financial markets at no cost to the District, in exchange for which the Corporation receives the financing necessary to construct the capital facilities that are acquired by the District. The

SSWD Financing Corporation Description

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Corporation assigns its right to receive installment payments from the District (principal and interest) for the acquired capital facilities to a trustee for the benefit of the holders of the certificates of participation. The trustee receives the District's periodic payments of principal and interest on the certificates of participation, which the Trustee then pays over to the holders of the certificates. It is the creation of these "arms length" transactions that provide the necessary distance between the District and its bondholders to make the District's certificates of participation tax-exempt.

Agenda Item: 2

Minutes

Sacramento Suburban Water District
Financing Corporation Special Board Meeting
Monday, July 26, 2010

Call to Order

Director Fellenz called the meeting to order at 6:00 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, John Valdes, Dan York.
Public Present: William Eubanks and Linda Gonzalez.

Public Comment

None.

Items for Discussion and Action

1. **Minutes of the January 25, 2010 Meeting**
MSC¹ (Schild/Hanson) that the Board of Directors approve the minutes of the January 25, 2010 SSWD Financing Corporation regular Board meeting, by unanimous vote.
2. **Resolution No. FC-10-01 Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection with the Substitution of Allied Irish Banks, P.L.C. as Credit Facility Provider**
Dan Bills presented the staff report. In the June 2010, meeting of the Board of Directors (Board), the Sacramento Suburban Water District (District) Board directed staff to execute a Letter of Credit (LOC) Substitution Agreement on its Series 2008A-2 COPs by replacing Allied Irish Bank with Lloyds TSB Bank plc. (Lloyd's).

Lloyd's is requesting a formal resolution rather than a minute order for board approval. There are no changes to the terms that were presented and to and approved by the District Board. The resolution authorizes the Financing Corporation President and Secretary to execute the documents, which are substantially in final form.

The LOC term is for three years. The District may opt out at any time with an early termination payment if the LOC is cancelled by the District in the first year. If

¹Motion, Second, Carried.

Lloyd's credit rating drops, there is no early termination penalty for the District to complete a substitution LOC. The issuance cost of this transaction is about \$175,000.

MSC (Schild/Decio) that the Board of Directors adopt Resolution No. FC-10-01 Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection with the Substitution of Allied Irish Banks, P.L.C. as Credit Facility Provider, by unanimous vote.

Director's Comments/Staff Statements and Requests

None.

Adjournment

Director Fellenz adjourned the meeting at 6:05 p.m.

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

Sacramento Suburban Water District Financing Corporation

Agenda Item: 3

Date: January 12, 2011
Subject: Appointment of Officers for 2011
Staff Contact: Jan Gentry, SSWD Financing Corporation Secretary

Recommended Board Action:

Appoint individuals to the office of President, Vice President, Secretary, Chief Financial Officer and Legal Counsel as the Board determines. Staff recommends appointing the same slate of Corporation Officers with Joshua Horowitz as legal counsel from the firm of Bartkiewicz, Kronick & Shanahan.

Discussion:

At the January 25, 2010 meeting of the Sacramento Suburban Water District Financing Corporation (Corporation), the following individuals were appointed as officers of the Corporation:

President:	Robert S. Roscoe, General Manager
Vice President:	Edward H. Formosa, Assistant General Manager
Secretary:	Janet L. Gentry, Assistant to the General Manager
Chief Financial Officer:	Daniel A. Bills, Director of Finance
Legal Counsel:	The firm of Bartkiewicz, Kronick & Shanahan, with Joshua Horowitz as legal counsel

Previously Legal Counsel noted that the reason staff members were appointed was for convenience and practicality. The appointees proposed for the respective positions are the current employees who hold the positions of General Manager, Assistant General Manager, Assistant to the General Manager and Director of Finance with Sacramento Suburban Water District. It is suggested that Joshua Horowitz be reconfirmed as the counsel of record from the firm of Bartkiewicz, Kronick & Shanahan.

The Corporation Bylaws state that officers are chosen annually.

Fiscal Impact:

None.

Sacramento Suburban Water District Financing Corporation

Agenda Item: 4

Date: January 12, 2011

Subject: Set Meeting Date for 2012

Staff Contact: Jan Gentry, SSWD Financing Corporation Secretary

Recommended Board Action:

Schedule the next regular meeting for one-half hour prior to the SSWD Board of Directors Regular Board meeting in January 2012.

Discussion:

Section 3.6 of the Bylaws and Governing Procedures for the Financing Corporation state that the annual meeting shall be held one-half hour prior to the regularly scheduled meeting of the SSWD Board of Directors in January. In the fall of each year, the SSWD Board of Directors typically moves the January meeting to the fourth Monday due to the Martin Luther King, Jr. Holiday. For 2012, January 23rd is the fourth Monday.

SSWD Regular Board meetings commence at 6:30 p.m. Unless the SSWD Board of Directors change the time, the Financing Corporation meeting would be held at 6:00 p.m. in 2012.

Fiscal Impact:

None.

Sacramento Suburban Water District Financing Corporation

Agenda Item: 5

Date: January 12, 2011

Subject: Chief Financial Officer's Report

Staff Contact: Daniel A. Bills, Chief Financial Officer

Discussion:

In September 2010, the Sacramento Suburban Water District Financing Corporation (Financing Corporation) facilitated the Sacramento Suburban Water District (District) in terminating the Letter of Credit between the District and Allied Irish Banks, p.l.c., acting through its New York Branch (the "AIB Credit Facility Agreement") and entering into a Letter of Credit with Lloyds TSB Bank p.l.c., acting through its New York Branch (the "Lloyds Credit Facility Agreement") on the Series 2008A-2 Certificates of Participation (COP).

As of December 31, 2010, four COPs (in the aggregate amount of \$111,700,000), facilitated by the Financing Corporation on behalf of the District are outstanding.

The Financing Corporation has no revenues or expenses to report for 2010.

Background:

The District determined that it was in its best interest to terminate the AIB Credit Facility Agreement in June 2010. The decision was based on significant negative issues affecting Allied Irish Bank (AIB) that caused credit concerns and market tradability of AIB backed debt. The primary issues were:

1. The Series 2008A-2 COP was trading in the market place at 2.25%, which was 1.94% above the short-term municipal market index (SIFMA). Comparatively, the Series 2009A COP, backed by a Letter of Credit from Sumitomo Mitsui Banking Corporation, was trading at 0.27%, or -0.04% below the SIFMA index.
2. AIB's credit rating was downgraded in January by Standard & Poor's from "A/A-1" to "A-/A-2" with a negative outlook. After the credit rating downgrade, the 2008A-2 COP began trading 0.15% to 0.20% higher than before the credit rating downgrade.
3. Significant negative macroeconomic events were occurring in Ireland that affected AIB in particular, as AIB holds a significant mortgage loan portfolio in Ireland.

Obtaining a Letter of Credit from Lloyds TSB Bank (Lloyds) was beneficial to the District as:

Chief Financial Officer's Report

January 12, 2011

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1. Lloyds strong credit ratings and market scarcity was opportunistic as tradability and competitive pricing by money-market investors could occur and possibly greatly benefit the District through reduced market interest costs.
2. The Lloyds Credit Facility Agreement was inexpensive in the current market as the annual fee was 0.70% (70 basis points) and there was no upfront or administrative fees required.
3. Lloyds was willing to offer the District a 3 year Credit Facility Agreement, which would move the District well beyond the significant municipal bond refinancing corridor.

Sacramento Suburban Water District Financing Corporation
 Summary of Financing Activity
 January 1, 2010 Through December 31, 2010

SSWD OUTSTANDING DEBT FACILITATED BY SSWDFC

2009A Certificates of Participation (VRDO)
 Issued on June 30, 2009
 Principal \$42,000,000

Payments:

Date	Principal	Interest	Total	Outstanding Principal	Comments
		Variable Rate		42,000,000.00	

2009B Certificates of Participation (Fixed)
 Issued on June 30, 2009
 Principal \$36,155,000

Payments:

Date	Principal	Interest	Total	Outstanding Principal	Comments
5/1/10		1,169,187.50	1,169,187.50	35,295,000.00	
11/1/10	680,000.00	1,169,187.50	1,849,187.50	34,615,000.00	

2008A-2 Certificates of Participation (VRDO)
 Issued on May 13, 2008
 Principal \$37,535,000

Payments:

Date	Principal	Interest	Total	Outstanding Principal	Comments
12/31/09				35,860,000.00	
11/1/10	900,000.00	Variable Rate	900,000.00	34,960,000.00	

2005B Certificates of Participation (Fixed)
 Issued on April 13, 2005
 Principal \$7,850,000

Payments:

Date	Principal	Interest	Total	Outstanding Principal	Comments
5/1/10		39,067.75	39,067.75	1,645,000.00	
11/1/10	1,520,000.00	39,067.75	1,559,067.75	125,000.00	