

Agenda

Sacramento Suburban Water District Financing Corporation Annual Board Meeting

3701 Marconi Avenue, Suite 100
Sacramento, California 95821

Monday, January 25, 2010
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.

Items for Discussion and Action

1. Minutes of the May 18, 2009 Meeting
Approve the minutes of the May 18, 2009 special meeting.
2. Appointment of Officers for 2010
Consider appointment of officers for the Corporation.

3. Set Meeting Date for 2011
The next annual meeting of the Corporation Board is scheduled for one half hour prior to the SSWD Board of Directors Regular Board meeting in January 2011.

Information Items

4. 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 25, 2010 Sacramento Suburban Water District Financing Corporation Annual Board meeting was posted by January 21, 2010 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.

Robert S. Roscoe
President, Sacramento Suburban Water District
Financing Corporation



Bartkiewicz, Kronick & Shanahan

A Professional Corporation

MEMORANDUM

TO: BOARD OF DIRECTORS, SACRAMENTO SUBURBAN WATER DISTRICT FINANCING CORPORATION

FROM: DAN BILLS / JOSH HOROWITZ

DATE: FEBRUARY 26, 2007

RE: EXPLANATION OF THE FUNCTION OF THE SACRAMENTO SUBURBAN WATER DISTRICT FINANCING CORPORATION

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.

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 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 actual 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: 1

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.

¹Motion, Second, Carried.

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 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

Sacramento Suburban Water District Financing Corporation

Agenda Item: 2

Date: December 5, 2009

Subject: Appointment of Officers for 2010

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 the same slate of Corporation Officers with Joshua Horowitz as legal counsel from the firm of Bartkiewicz, Kronick & Shanahan.

Discussion:

At the January 26, 2009 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 Bartkiewicz 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: 3

Date: December 15, 2009

Subject: Set Meeting Date for 2011

Staff Contact: Jan Gentry, SSWD Financing Corporation Secretary

Recommended Board Action:

That the next regular meeting is scheduled for one-half hour prior to the SSWD Board of Directors Regular Board meeting in January 2011.

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 2011, January 24th 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 2011.

Fiscal Impact:

None.

Sacramento Suburban Water District Financing Corporation

Agenda Item: 4

Date: January 20, 2010

Subject: Chief Financial Officer's Report

Staff Contact: Daniel A. Bills, Chief Financial Officer

Discussion:

The Sacramento Suburban Water District Financing Corporation (Financing Corporation) facilitated the Sacramento Suburban Water District (District) in refinancing two Certificates of Participation in 2009. As of December 31, 2009, four Certificates of Participation (in the aggregate amount of \$114,800,000), facilitated by the Financing Corporation on behalf of the District are outstanding.

The Financing Corporation has no revenues or expenses to report for 2009.

Background:

At the beginning of 2009 the District had four existing revenue bonds outstanding. The Series 2004 Certificates of Participation (COPs), were issued in December 2004 (and reissued 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 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 COPs were converted to a VRDO by adding a Line-of-Credit from Dexia Bank Local (Dexia) with the existing insurer Financial Security Assurance, Inc, (FSA) remaining in place.

Due to the credit worthiness of Dexia and FSA the Series 2004 COPs were again trading at interest rates of unacceptably high levels. In June 2009, the District Board directed staff to replace the Line-of-Credit with Dexia and insurance with FSA on the Series 2004 COPs with a Letter-of Credit (LOC) from Sumitomo Mitsui Banking Corporation (SMBC). The refinanced Series 2004 COPs became the 2009A COPs.

Also, in May of 2008, the District Board directed staff to convert the Series 2005A COPs from an ARS to VRDOs. The Series 2005A COPs were converted to VRDOs with LOCs from Dexia and Allied-Irish, p.l.c, respectively becoming Series 2008A-1 and A-2 COPs.

Due to the credit worthiness of Dexia the Series 2008A-1 COPs were again trading at interest rates of unacceptably high levels. In June 2009, the District Board directed staff to refund the LOC with Dexia on the Series 2008A-1 COP with a fixed-rate, long-term bond to reduce the District's variable rate debt exposure and give the District greater cost certainty. The refinanced Series 2008A-1 COP has become the Series 2009B COP.

The Series 2008-2 COPs were not refinanced. The SWAP Agreement remains in place.

Sacramento Suburban Water District Financing Corporation
 Summary of Financing Activity
 January 1, 2009 Through December 31, 2009

Existing Financing

2004 Certificates of Participation
 Reissued on May 13, 2008
 Principal \$41,275,000

Payments:

Date	Principal	Interest	Total	Outstanding Principal	Comments
		Variable Rate		41,275,000.00	
6/30/09				(41,275,000.00)	Defeased

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

Payments:

Date	Principal	Interest	Total	Outstanding Principal	Comments
5/1/09		72,982.50	72,982.50	3,110,000.00	
11/1/09	1,465,000.00	72,982.50	1,537,982.50	1,645,000.00	

2008A-1 Certificates of Participation
 Issued on May 13, 2008
 Principal \$37,540,000

Payments:

Date	Principal	Interest	Total	Outstanding Principal	Comments
		Variable Rate		36,725,000.00	
6/30/09				(36,725,000.00)	Defeased

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

Payments:

Date	Principal	Interest	Total	Outstanding Principal	Comments
		Variable Rate		36,725,000.00	
11/1/09	865,000.00	Variable Rate	865,000.00	35,860,000.00	

Sacramento Suburban Water District Financing Corporation
 Summary of Financing Activity
 January 1, 2009 Through December 31, 2009

New Financing

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

Payments:

Date	Principal	Interest	Total	Outstanding Principal	Comments
6/30/09		Variable Rate		42,000,000.00	

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

Payments:

Date	Principal	Interest	Total	Outstanding Principal	Comments
6/30/09			0.00	36,155,000.00	
11/1/09	860,000.00	566,070.00	1,426,070.00	35,295,000.00	