

# **Agenda**

## **Sacramento Suburban Water District Financing Corporation Annual Board Meeting**

3701 Marconi Avenue, Suite 100  
Sacramento, California 95821

Monday, January 26, 2009  
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 April 21 and 28, 2008 Meetings  
*Approve the minutes of the April 21 and 28, 2008 meetings.*
2. Appointment of Officers for 2009  
*Consider appointment of officers for the Corporation.*

- 3. Resolution No. FC 09-01 Accepting the Offer of the Sacramento Suburban Water District to Indemnify Corporation Directors, Officers and Employees  
*Consider a resolution to indemnify the SSWD Financing Corporation directors, officers and employees.*
- 4. Set Meeting Date for 2010  
*The next regular meeting is scheduled for one half hour prior to the SSWD Board of Directors Regular Board meeting in January 2010.*

**Information Items**

- 5. Interest Earnings on the Series 2004 COP  
*Review interest income available for distribution main projects.*
- 6. 2004 Bond Expenditures Through December 31, 2008  
*Discuss the fund expenditures in the series 2004 COP bonds.*

**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**

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I certify that the foregoing agenda for the January 26, 2009 Financing Corporation Annual Board meeting of the Sacramento Suburban Water District Board of Directors was posted by January 22, 2009 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.

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

## Agenda Item: 1

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### Minutes

Sacramento Suburban Water District  
**Financing Corporation Special Board Meeting**  
Monday, April 28, 2008

#### Call to Order

Director Githens called the meeting to order at 7:04 p.m.

#### Roll Call

Directors Present: Ken Decio, Thomas Fellenz, Stephen Hanson, David Githens and Neil Schild.

Directors Absent: None.

Staff Present: President Robert Roscoe, Dan Bills, Ed Formosa, Jan Gentry and Legal Counsel Joshua Horowitz.

#### Public Comment

None.

#### Items for Discussion and Action

1. **Resolution No. FC-08-02 In Connection with the Conversion of Outstanding Adjustable Rate Revenue Certificates of Participation, Series 2004, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith**

Dan Bills presented the staff report. Sacramento Suburban Water District (SSWD) has three existing debt instruments outstanding. The first debt instruments are the Series 2004 Certificates of Participation, which were issued in December 2004 for purposes of funding new capital projects.

The SSWD 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. Mr. Bills reviewed the resolution, which 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 convert the Series 2004 COPs to VRDO mode.

Dave Houston, Citigroup, was present to answer questions.

MSC (Schild/Decio) that the Board of Directors adopt Resolution No. FC-08-02 In Connection with the Conversion of Outstanding Adjustable Rate Revenue Certificates

of Participation, Series 2004 to a New Interest Mode, 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 Githens adjourned the meeting at 7:11 p.m.

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

# Sacramento Suburban Water District Financing Corporation

## Agenda Item: 2

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**Date:** January 5, 2009

**Subject:** Appointment of Officers for 2009

**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 28, 2008 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 Paul Bartkiewicz 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 noted 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

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**Date:** January 7, 2009

**Subject:** Resolution No. FC-09-01 Accepting the Offer of the Sacramento Suburban Water District to Indemnify Corporation Directors, Officers and Employees

**Staff Contact:** Jan Gentry, SSWD Financing Corporation Secretary

### **Recommended Board Action:**

Approve Resolution No. FC-09-01 Accepting the Offer of the Sacramento Suburban Water District to Indemnify Corporation Directors, Officers and Employees providing the Sacramento Suburban Water District Board of Directors adopt Resolution No. 09-02.

### **Discussion:**

At a previous meeting, the subject was raised of whether the SSWD Financing Corporation (Corporation) directors were indemnified against errors and omissions claims and lawsuits.

Section 3.13 of the Corporation's Bylaws has an indemnification provision for directors, officers and employees of the Corporation. However, the Corporation does not have any resources to obtain insurance or to self-insure personnel.

The Sacramento Suburban Water District (SSWD or District), through ACWA/JPIA, has existing insurance coverage to indemnify District directors and employees when acting on behalf of the Corporation. The ACWA/JPIA coverage addresses the Corporation indemnity concern. However, the ACWA/JPIA coverage is not crystal clear on if the coverage is automatic.

To clarify the coverage, Legal Counsel drafted two resolutions, one for the District and one for the Corporation. If both entities adopt the resolutions, the District's extension of an indemnity and defense to directors and employees who act on behalf of the Corporation will be in place. The ACWA/JPIA coverage and the relevant Government Claims Act statutes provide a broader scope of coverage than errors and omissions only. The scope of that broader coverage is reflected in both resolutions.

The Corporation's resolution includes the District's resolution for background. Since the Corporation meeting is scheduled one half hour ahead of the District's meeting, the Corporation directors will be considering the resolution prior to the District's directors decision. Adoption of the resolution will be contingent upon adoption by the SSWD Board of Directors of Resolution No. 09-02.

### **Fiscal Impact:**

None.

## **RESOLUTION NO. FC 09-01**

### **A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SACRAMENTO SUBURBAN WATER DISTRICT FINANCING CORPORATION ACCEPTING THE OFFER OF THE SACRAMENTO SUBURBAN WATER DISTRICT TO INDEMNIFY CORPORATION DIRECTORS, OFFICERS AND EMPLOYEES**

WHEREAS, Section 3.13 of the Sacramento Suburban Water District Financing Corporation's Bylaws provides that the Corporation may indemnify its present and past directors, officers, employees and agents to the fullest extent permitted by law against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any actual or threatened legal or administrative proceeding brought against such person on account of his or her service in the capacity of a director, officer, employee or other agent of the Corporation; provided that such person acted in good faith and with reasonable prudence in the best interests of the Corporation and, in the case of a criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful and, in the case of an action by the Corporation, acted with due care and with the reasonable inquiry that would be made by an ordinarily prudent person in the same position in similar circumstances;

WHEREAS, on January 26, 2009, the Board of Directors of the Sacramento Suburban Water District adopted Resolution No. 09-02 for the purpose of providing an indemnity and defense to the Directors, officers and employees of the Corporation;

WHEREAS, the Corporation has no revenues, reserves or other sources of income sufficient to permit the Corporation to independently purchase insurance coverage or otherwise indemnify and defend the Directors of the Corporation as provided in Section 3.13 of the Corporation's Bylaws; and

WHEREAS, at its annual meeting on January 28, 2008, the Board of Directors of the Corporation discussed obtaining the resources necessary to effectuate the indemnity and defense provided in Section 3.13 of the Bylaws and directed its Chief Financial Officer and legal counsel to take all actions necessary to obtain an appropriate indemnity and defense for any errors and omissions of the Corporation's Directors, officers and employees.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sacramento Suburban Water District Financing Corporation as follows:

1. The Board accepts the District's offer to provide an indemnity and defense to the Corporation's Directors, officers and employees against any claims made or lawsuits or administrative actions filed against them while acting in the scope and course of their employment with the Corporation, subject to the terms and conditions set forth in District Resolution No. 09-02 adopted on this January 26, 2009. A copy of District Resolution No. 09-02 is attached to and made a part of this Resolution as Exhibit A.

- 2. The Board finds that the indemnity and defense offered by the District is consistent with the substance and intent of Section 3.13 of the Corporation's Bylaws.
- 3. The Board authorizes and directs the Corporation President and his or her designees to take all actions necessary to carry out the provisions of this Resolution and to effectuate as needed the indemnity and defense provided in District Resolution No. 09-02.
- 4. This Resolution shall take effect immediately.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District Financing Corporation on the 26<sup>th</sup> day of January 2009, by the following vote:

AYES:  
NOES:  
ABSENT:

By: \_\_\_\_\_  
Robert S. Roscoe  
President  
Sacramento Suburban Water District  
Financing Corporation

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I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of Sacramento Suburban Water District Financing Corporation at a regular meeting thereof held on the 26<sup>th</sup> day of January 2009.

(SEAL)

By: \_\_\_\_\_  
Janet L. Gentry  
Secretary  
Sacramento Suburban Water District  
Financing Corporation

# Sacramento Suburban Water District Financing Corporation

## Agenda Item: 4

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**Date:** January 15, 2009

**Subject:** Set Meeting Date for 2010

**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 2010.

### **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 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 2010, January 25<sup>th</sup> 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 2010.

### **Fiscal Impact:**

None.

# Sacramento Suburban Water District Financing Corporation

## Agenda Item: 5

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**Date:** January 16, 2009

**Subject:** Interest Earnings on the Series 2004 COP

**Staff Contact:** Dan Bills, Chief Financial Officer

The District issued COP debt on December 15, 2004, in the amount of \$41.275 million. The net proceeds from the financing - \$40.5 million (\$41.275 million borrowing less \$775,000 in issuance costs) were placed in the COP Acquisition Fund which was managed by the District. As the proceeds for the approved capital projects were drawn over time the unspent proceeds were invested in short-term debt instruments in line with the Sacramento Suburban Water District's (District) Investment Policy (PL-Fin 003). As of December 31, 2008, \$2,617,524 has been earned on the net proceeds. Per the District's bond counsel, as long as there are remaining costs to be expended on approved projects (as defined in the Installment Purchase Agreement) the District may use such earnings for the stated projects. Therefore, as the total cost of the approved project "Replacement of Certain Distribution Mains" exceeds the borrowings from the COP for that project, as amended, the interest earned is being added to the Acquisition Fund and will be used to increase the distribution main replacement project.

# Sacramento Suburban Water District Financing Corporation

## Agenda Item: 6

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**Date:** January 16, 2009

**Subject:** 2004 Bond Expenditures Through December 31, 2008

**Staff Contact:** Dan Bills, Chief Financial Officer

### Series 2004 COP

The District borrowed \$41.275 million dollars on December 15, 2004 (Series 2004 COP). The purpose was to construct large capital improvement projects. Bond proceeds were specified to be spent by project in a specific amount. The amounts allocated to each project have formally been reallocated from time-to-time as needed. Attached is a list of approved Series 2004 COP project expenditures compared to actual expenditures through December 31, 2008.

2004 Certificates of Participation  
Status of Fund Expenditures

Date: January 12, 2009

Description	Original Estimated Contract Cost (\$)	Amount Reallocated Feb. 2006 (\$)	Amount <sup>4</sup> Corrected Feb. 2007 (\$)	Amount Reallocated Feb. 2008 (\$)	Revised Estimated Contract Cost (\$)	Amount <sup>3</sup> Spent as of 12/31/08 from COP Funds	Amount Remaining to be Spent (\$)
Purchase 20 MGD of firm capacity in the City of Sacramento's E.A. Fairbairn Water Treatment Plant	\$14,723,000	\$1,221,690	\$0	-\$547,386	\$15,397,304	\$15,397,304	\$0
Purchase Capacity in the City of Sacramento 54-inch Transmission Main under the American River	\$2,187,000	\$0	\$0	\$2,069	\$2,189,069	\$2,189,069	\$0
5-million gallon Reservoir and Pump Station to store surface water received from the City of Sacramento's E.A. Fairbairn Water Treatment Plant	\$3,007,000	\$1,500,000	\$70,000	-\$9,972	\$4,567,028 <sup>1</sup>	\$4,567,028	\$0
Verner Avenue Monitoring Well and Pump Station	\$900,000	\$0	\$0	-\$424,801	\$475,199 <sup>2</sup>	\$475,199	\$0
Well Site/Reservoir Site and Treatment Improvements: for groundwater treatment rule, arsenic removal, volatile organic remediation; iron/manganese removal	\$2,000,000	-\$2,000,000	\$0	\$0	\$0	\$0	\$0
New 18-inch diameter pipeline on Flaming Arrow Road from Verner Avenue to Auburn Blvd.	\$1,580,000	\$0	\$0	-\$1,531,150	\$48,850	\$48,850	\$0
Extension of 16-inch pipeline on Elverta Road to Antelope Road	\$796,000	-\$796,000	\$0	\$0	\$0	\$0	\$0
Replacement of certain distribution mains	\$12,800,000	\$74,310	\$1,151,000	\$2,511,240	\$16,536,550	\$16,536,550	\$0
<b>TOTALS</b>	<b>\$37,993,000</b>	<b>\$0</b>	<b>\$1,221,000</b>	<b>\$0</b>	<b>\$39,214,000</b>	<b>\$39,214,000</b>	<b>\$0</b>
				<b>Refunded Projects Built Prior to 12/15/04</b>	<b>\$1,286,000</b>		
				<b>Total Borrowed W/O Issuance Costs</b>	<b>\$40,500,000</b>		
						<b>100.0%</b>	

NOTES:

- Does not include \$3,309,207 in Proposition 13 grant funds that have been obtained for this project.
- Does not include \$750,000 in Prop. 50 Implementation grant funds that have been obtained for this project.
- In most cases the actual amounts expended for each project exceed the original borrowing. Only 2004 COP proceed amounts spent to date are reported for each project.
- Correction was due to mathematical error made in the original bond documents. Both the Financing Corp. Board and the SSWD Board reviewed the bond documentation error and formally notified the Trustee on February 26, 2007.