

Proposed Implementation of Traditional Commercial Paper Program

Board of Directors
November 24, 2015

Agenda



- What is Commercial Paper (“CP”)
- Traditional vs Extendable CP
- Risks in Extendable CP Market
- Recommendation
- Next Steps

Proposed Financings for FY16



Category	Description	Issue/ Approximate Size	Date of Board Action	Pricing or Issuance Date
Potential Market Opportunities	1. Authorization for opportunistic Water and Wastewater restructurings for de-risking and fixed rate refundings	Based on market opportunities	9/22/2014	TBD
Administration of Existing Debt Portfolio	2. Implement traditional Commercial Paper program to refinance Water System Extendable Commercial Paper	\$360 million	11/24/2015	12/2015
New Money Needs	3. Issue additional "new money" Wastewater Revenue Bonds	\$25 million	5/12/2015	6/2015

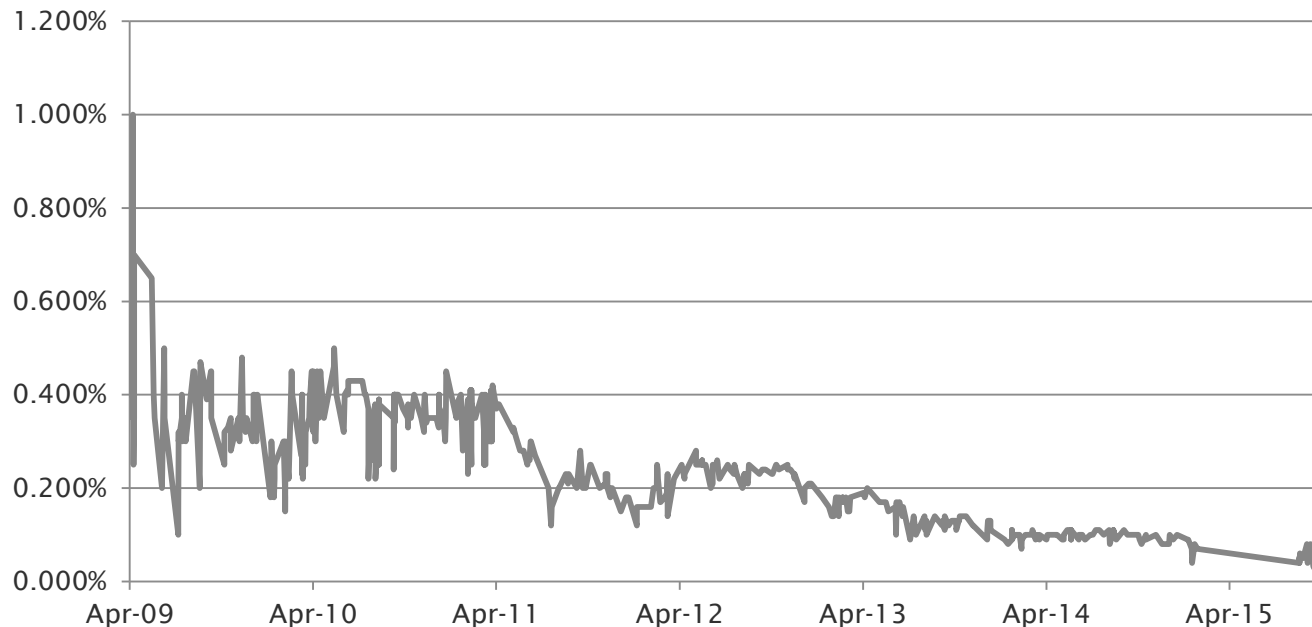
Note: Dates are approximate and subject to change.

EBMUD Commercial Paper (contd.)



- Commercial paper “CP” represents District’s lowest available borrowing cost
 - Average interest rate in FY15 0.09%

ECP Remarketing: Nominal Rate



Difference between Traditional and Extendable CP



- **Key Issue: what if CP cannot be rolled over?** (“failed remarketing”)
 - ***Traditional CP***: Agreement with liquidity bank to lend District money to pay investors
 - ***Extendable CP (ECP)***: Investors hold the CP beyond its original maturity to a maximum 270 days at a penalty rate
 - ✓ ECP structure developed during the 2008/09 credit crisis when liquidity became scarce and/or expensive
- Over the years District has had both traditional CP and ECP programs
 - District switched from traditional CP to ECP in 2009

Risks to District from ECP market



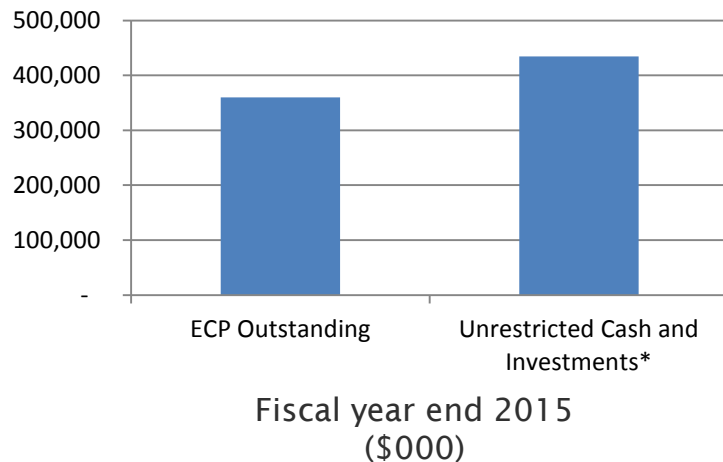
- **Key Risk: Extendable CP cannot be rolled over**
 - Small ECP investor base and changing market makes failed remarketing comparatively more likely
 - Failed remarketing could have severe liquidity and other consequences:
 - ✓ Some or all of \$375 million ECP outstanding might need to be repaid with cash
 - ✓ Negative publicity could affect District interest cost
 - ✓ Relatively little time to develop optimal response

Impact of ECP Risk: Water & Wastewater System



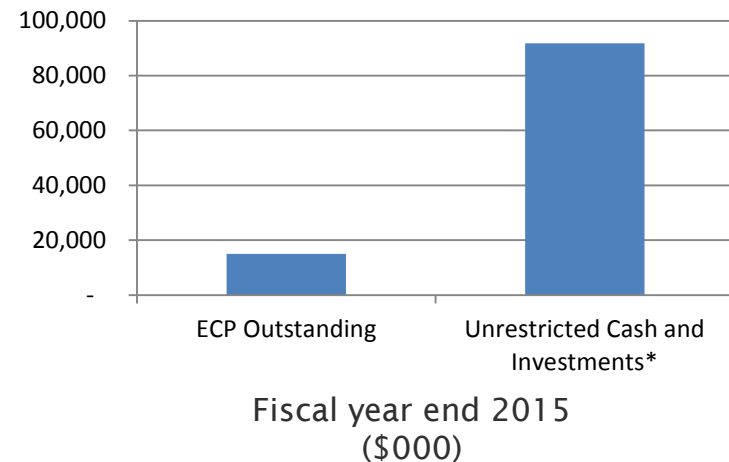
Water

- Potentially substantial liquidity pressure
- Drought heightens significance of liquidity risk



Wastewater

- Modest potential liquidity pressure
- Less vulnerable to challenges posed by drought



*Includes: Rate Stabilization Fund, Working Capital Reserve, Self-Insurance Fund, Workers Compensation Fund, Vehicle Replacement Fund and Reserves for Capital Projects

Recommendation & Next Steps



Recommendations

- Replace Water System ECP with traditional CP
- Keep Wastewater ECP
 - Retain option to replace with traditional CP should conditions warrant

Next Steps

- Staff seeks Board authorization for issuance of Commercial Paper Notes, Bank Agreements, and related documents

Questions



Amendment to EBMUD Retirement System Ordinance (No. 40) - Section 7 First Reading

Board of Directors
November 24, 2015

Updates to Ordinance No. 40



- At the May 21, 2015 meeting of the Retirement Board, the board authorized counsel to seek renewal of the IRS's favorable determination of tax-qualified status.
- Tax counsel reviewed criteria for IRS determination and found that amendment of Retirement Ordinance to reflect HEART Act was required.
- Retirement Board authorized staff to bring this amendment to EBMUD Board of Directors.

Updates to Ordinance No. 40



Section 7(b) titled “Allowance for Service” is being updated to include requirements that arise from the Heroes Earnings Assistance and Relief Tax Act of 2008 (“HEART Act”).

HEART Act Provisions

- When a Plan Member dies while performing qualified military service, the plan must allow the beneficiaries of the member to be entitled to any additional benefits that would have been provided under the plan had the member resumed employment and then terminated employment on account of death.

HEART Act Example

- If a member who has less than five years of service required to be vested for his survivors to be eligible for a death benefit, dies during qualified military service, the members survivors must be allowed to count that service in order to qualify for survivor benefits.

Updates to Ordinance No. 40



Steps to Finalize Adoption of Ordinance Amendment

- First reading, November 24, 2015
- Second reading and vote to adopt, December 8, 2015
- The Ordinance amendment must be placed in newspaper for two successive weeks
- Adoption of Ordinance amendment will take effect 30 days after the vote to adopt
- Staff will publish and distribute copies of the revised Ordinance by January 31, 2016

Butte Fire Response

Board of Directors
November 24, 2015

Overview



- EBMUD Efforts Ponderosa Road
- Water Quality
- BLM
- Funding
- Future Actions



Erosion/Stability Issues Ponderosa Road

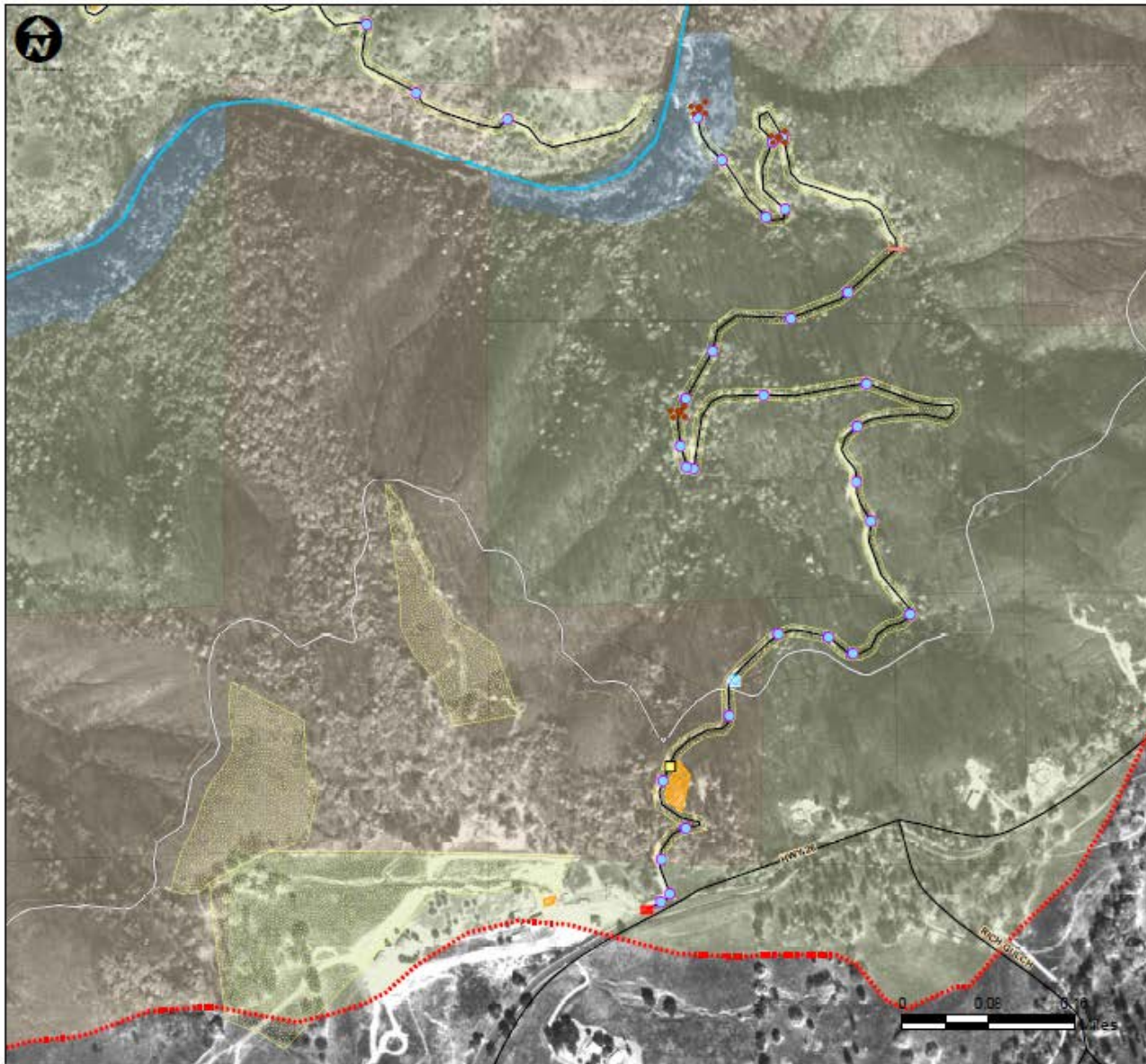


- Runoff causing headcut
- Worked with CCC and County
- Example of what may be long term for wet season
- Felling Trees
- Broader work wrapping up

Volunteer Days

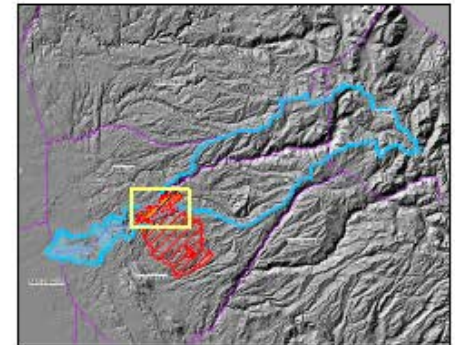


Calaveras County



Watershed Recovery Treatments BLM - Calaveras Co

Prepared: November 2015



Location: Upper Mokelumne Watershed
Detailed View: Mokelumne Watershed - Ponderosa Rd

OWNER	BLM		
	Aravador	Calaveras	TOTAL
COUNTY			
Total Treated Acres	2.34	17.54	20.28
APN: 14002023		0.56	0.56
APN: 14002019		15.27	15.27
Ponderosa Rd	2.34	2.11	4.45
Ponderosa Rd Miles	0.2	0.29	0.49

- Gate
- Cattle guard
- Gully Rocked Up
- Penstock
- Bridge
- Culverts
- Staging Areas
- Recovery Treatments
- Mokelumne Watershed Fire Recovery
- Mokelumne Watershed Fire Recovery
- Mokelumne Watershed
- Butte Fire
- EBMUD
- Counties
- Utility Ditch / Canals
- Mokelumne River
- Creeks
- BLM
- PG&E
- Mokelumne Hill
- Private Landowners

Absolute Scale: 1:6,000
Relative Scale: 1 inch equals 0.09 miles

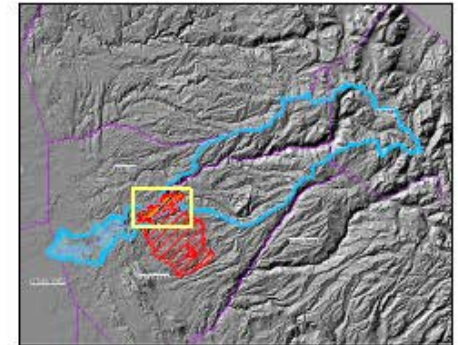


Amador County



Watershed Recovery Treatments BLM - Amador Co

Prepared: November 2015



Location: Upper Mokelumne Watershed
Detailed View: Mokelumne Watershed - Ponderosa Rd

OWNER	BLM		
COUNTY	Amador	Calaveras	TOTAL
Total Treated Acres	2.34	17.94	20.28
APN: 14002023		0.56	0.56
APN: 14002015		15.27	15.27
Ponderosa Rd	2.34	2.11	4.45
Ponderosa Rd/Miles	0.2	0.29	0.49

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0 0.08 0.16 Miles

Absolute Scale: 1:6,000
Relative Scale: 1 inch equals 0.09 miles



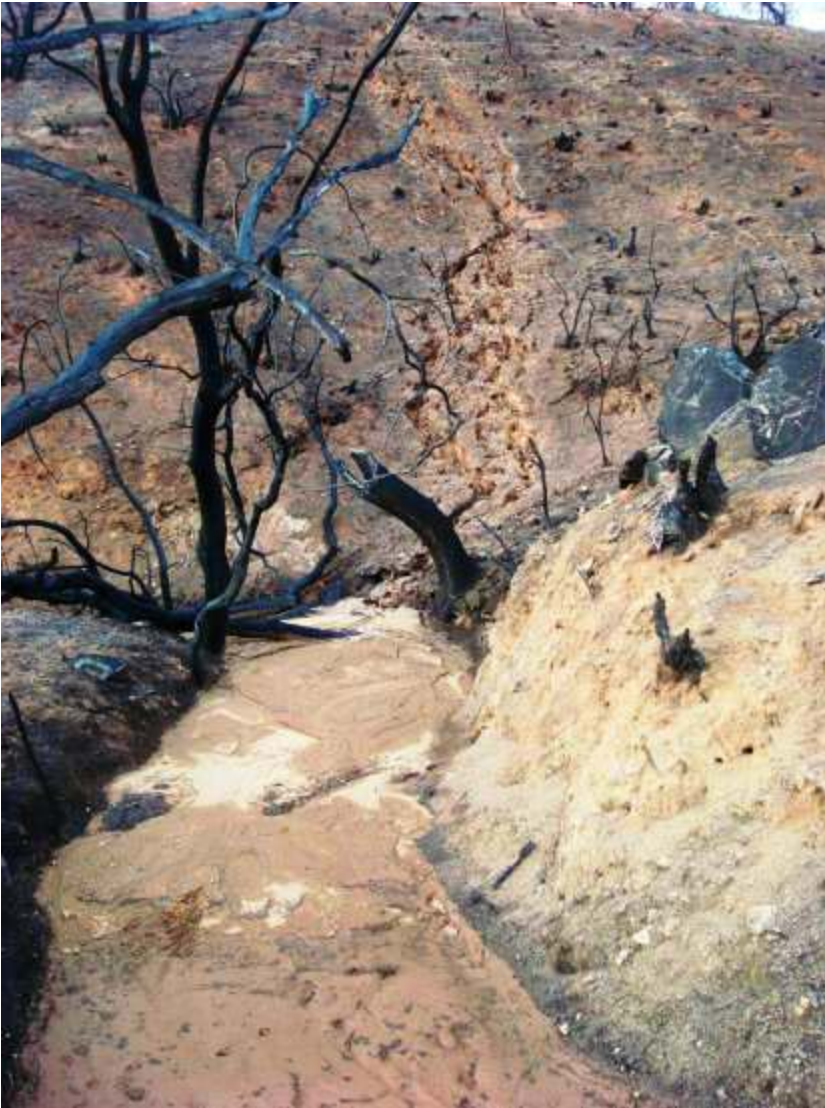
WQ, Debris and Sediment



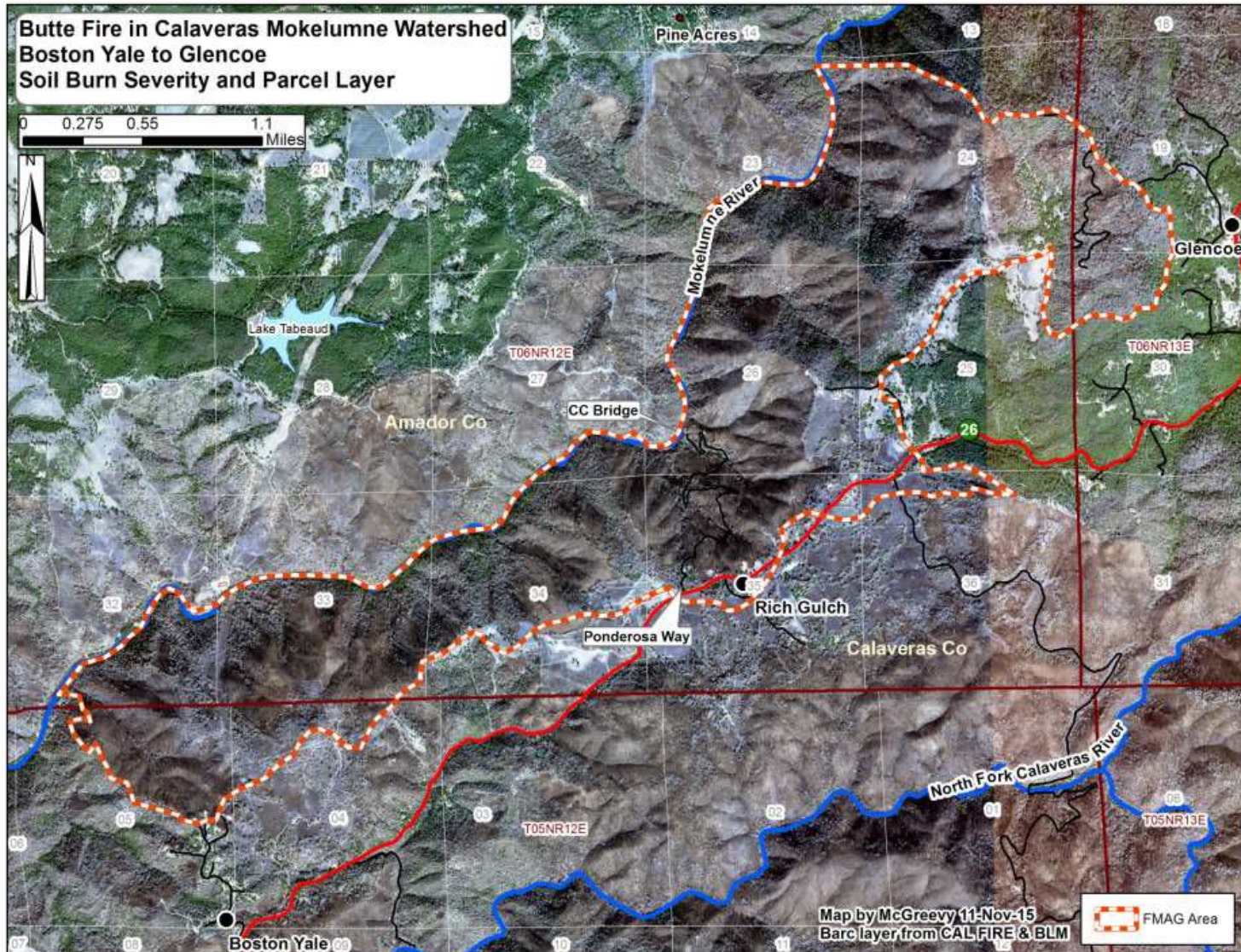


- ESR Funding Approved
- Approximately \$3.5 Million
- Approximately 140 Acres within Mokelumne Watershed (wood shreds high slope)
- 900 Acres in Calaveras Watershed

FEMA/OES Grant



- Calaveras County
- Approximately \$588K + \$147K local match
- Mitigate Hazards including erosion
- EBMUD Assist



Questions?

