

Dodd-Frank Protocol Amendment of Interest Rate Swap Policy

Board of Directors
January 28, 2014

Agenda

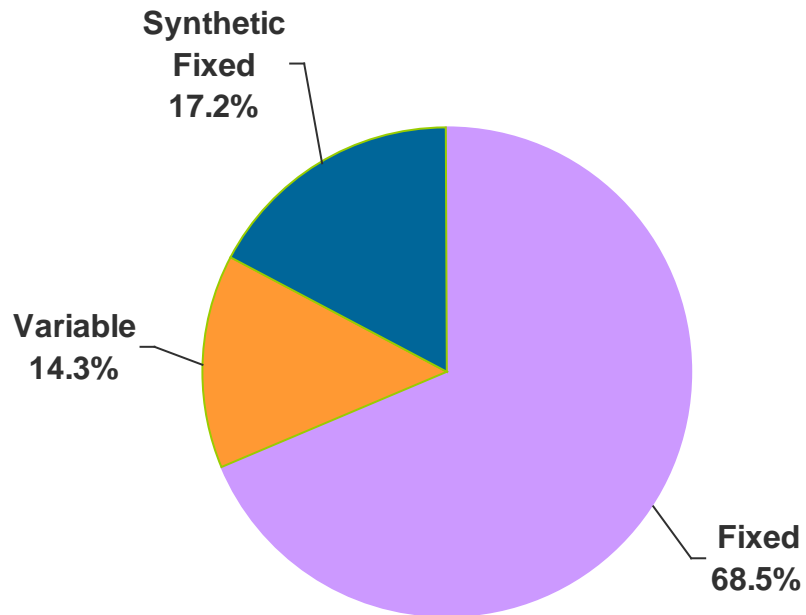


- Debt and swap portfolio
- Swap policy
- Dodd-Frank Protocol

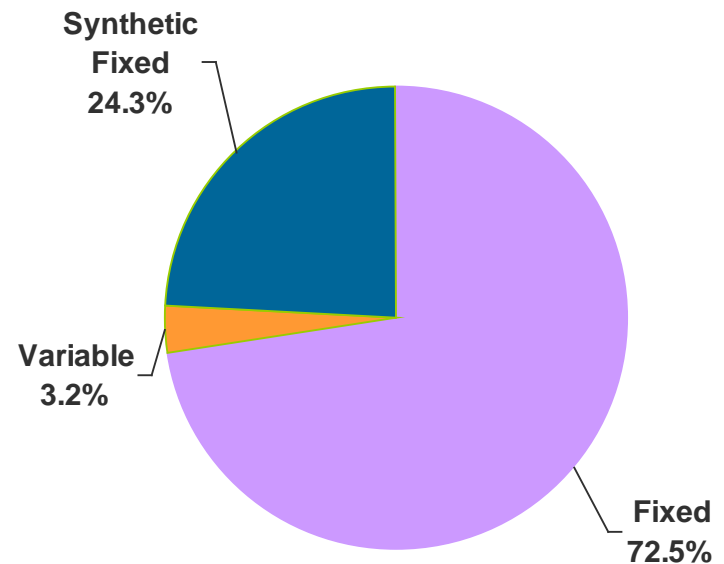
District Debt Portfolio



Water System
\$2.60 Billion



Wastewater System
\$463.7 Million



District Swap Portfolio



Water Swap Portfolio			Wastewater Swap Portfolio		
Bond Series	Counterparty	Outstanding Balance (\$million)	Bond Series	Counterparty	Outstanding Balance
2011A	Bank of NY Mellon	98,780,000	2011A	Dexia Credit Local	61,725,000
2011A	JP Morgan Chase	49,390,000	2008C	Citigroup, Inc.	25,845,000
2008A	JP Morgan Chase	70,965,000	2008C	JP Morgan Chase	25,845,000
2008A	Bank of America	70,965,000			
2008A	Merrill Lynch	30,850,000			
2008A	Bank of NY Mellon	27,770,000			
2009/2008B	Deutsche Bank	61,050,000			
2009	Citibank, N.A.	15,675,000			
2009	Merrill Lynch	20,350,000			
		445,795,000			113,415,000

District Swap Policy



Interest Rate Swap Policy 4.23

- Created and adopted by the Board in April 2007
- Contains guidelines for use and ongoing monitoring of swaps:
 - Considerations for evaluating use of swaps
 - Permitted uses of swaps
 - Counterparty credit standards
 - Method of procurement
 - Documentation guidelines

Dodd-Frank Act



- Dodd—Frank Wall Street Reform and Consumer Protection Act—July 2010
- Title VII—Wall Street Transparency & Accountability
 - Regulates swap dealers
 - Commodity Futures Trading Commission (CFTC)
 - Securities and Exchange Commission (SEC)
 - Finalized rules which are effective May 1, 2013
- “External business conduct” of swap dealers
 - Duty to determine suitability of swap recommended to a counterparty
 - Obligation to report information on counterparties
 - Municipal agencies considered “special entity”
 - “Safe harbor” if special entity exercises independent judgment regarding swap transaction

Dodd—Frank 2012 Protocol



- Dealers will not execute, modify or terminate swaps without safe harbor
- DF Protocol is a standard way to disclose and exchange information to meet safe harbor provisions, primarily:
 - We have not relied on the dealer
 - We have a qualified, independent advisor

- DF 2013 Protocol allows District to make elections minimizing burdensome administrative requirements:
 - Choose not to transfer swaps to clearing facility, eliminating such requirements as receiving and reviewing daily mark-to-market and collateral posting reports
 - Opt out of a periodic portfolio review process that would be burdensome without material offsetting benefits

Amend Swap Policy



- Proposed amendment to Interest Rate Swap Policy 4.23 provides for:
 - Adherence to 2013 Dodd-Frank Protocol *and*
 - Compliance with any future protocols and similar agreements
- The annual report on the District's swap portfolio will include updates on future protocols.

Requested Action



- Adopt a resolution:
 - i. authorizing the District to adhere to the Dodd-Frank March 2013 Protocol and subsequent protocols, and
 - ii. approving an amendment to the Interest Rate Swap Policy 4.23 to provide for compliance with the August 2012 Dodd-Frank Protocol, the March 2013 Protocol, and any subsequent protocols and similar agreements to be adhered to by the District
- Accept the annual report for the District's swap portfolio.

Refunding Wastewater General Obligation Bonds

Board of Directors

January 28, 2014

Proposed Financings for FY14



	Description	Issue/Approximate Size	Date of Board Action	Pricing or Issuance Date
1	Replace Royal Bank of Canada and Barclays Bank as remarketing agents for the District's outstanding Water Series 2008A-1, 2008A-2 and 2008A-3 Bonds	W 2008A-1: \$61.7 million W 2008A-2: \$46.3 million W 2008A-3: \$46.3 million	9/24/2013	12/2013
2	Authorization for Opportunistic Water and Wastewater Restructurings for De-Risking and Fixed Rate Refundings	Based on Market Opportunities	9/24/2013	TBD
3	Remarket the Water Series 2009A-1 and Series 2009A-2 Securities Industry and Financial Markets Association (SIFMA) Index Bonds to establish a new interest rate period	W 2009A-1: \$41.04 million W 2009A-2: \$41.04 million	10/22/2013	12/2013
4	Renew or replace Bank of America (BoFA) and JPMorgan Chase Bank (JPM) as liquidity providers for Water Series 2008A-4, Water Series 2008B-3 and Wastewater Series 2008C Bonds and extend term	W 2008A-4: \$46.3 million W 2008B-3: \$15.1 million WW 2008C: \$51.7 million	10/22/2013	12/2013
5	Competitive Sale Refunding of Wastewater Series F (2003) G.O. Bonds	WW \$18.6 million	1/28/2014	2/2014 (price) 2/26/14 (close)
6	Remarket the Water Series 2011A-1 and A-2 SIFMA Index Bonds to establish a new interest rate period or refund with another product	W 2011A-1: \$74.1 million W 2011A-2: \$74.1 million	1 st Q 2014	5/2014
7	Renew or replace Wells Fargo Bank (WFB) as liquidity provider for Water Series 2008A-1 Bonds and extend term	W 2008A-1: \$61.7 million	10/22/2013	12/2013
8	Issue additional "New Money" Water Revenue Bonds	\$170.0 million	4/2014	5 - 6/2014

General Obligation Bonds



- Wastewater System General Obligation Bonds, Series F
 - \$18,555,000 outstanding
 - maturing in 2018
 - District's only G.O. Bonds
 - Voter approved
 - Repaid from property tax levy

Wastewater G.O. Issuance



G.O. Bond History

- 1970: voters authorized \$60 million
- 1971-1993: entire amount issued
- 1993: refunding Series E
- 2003: refunding Series F
- 2014: *proposed refunding Series G*

Refunding Plan



- \$15.4 million to be refunded by Proposed Series G
- G.O. Bonds will be sold by Competitive Sale
- Savings estimated at \$1.27 million net present value
- Lower annual property tax levy by estimated 6%

Cost of Issuance



Costs of Issuance

Co-Bond Counsels	\$127,500
Co-Financial Advisors	83,000
Rating Fees	32,500
Tax Counsel	30,000
Printer	10,000
Reimbursable Expenses & Contingency	10,000
Other*	4,750
	<hr/>
	\$297,750
 <u>Underwriter's Discount</u>	 \$75,000

**paying agent, refunding escrow agent, verification agent*

Requested Action



- Adopt resolution providing for issuance of Wastewater G.O. Bonds Refunding Series G

Refunding Wastewater General Obligation Bonds

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January 28, 2014

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Delta Update

EBMUD Board of Directors

January 28, 2014

EBMUD's Delta Priorities



Issue	Advocacy
BDCP impacts on Delta flows and water rights, SWRCB proceedings	Protect EBMUD's water rights and supply reliability
BDCP and Water Action Plan finance	Develop equitable funding and fee proposals, protect EBMUD ratepayers
Delta levee improvements	Support investments based on asset value
Mokelumne fishery impacts	Ensure full funding for monitoring and adaptive management



EBMUD Concerns with BDCP



- Flawed operational modeling leads to uncertain project yield and impacts
- Long-term assurances are provided for permittees without clear protections for other water users
- Finance plan lacks critical information on cost allocation and funding sources
- Analysis of impacts on Mokelumne fishery is inadequate
- BDCP must assess and mitigate impacts on Mokelumne aqueducts and future EBMUD tunnel

Stakeholder Collaboration



EBMUD participating with coalitions to:

- Finalize report on independent review of DWR operational modeling
- Assess vulnerability to redirected supply impacts from BDCP assurances
- Analyze finance plan and potential cost exposure
- Advance levee improvements as a component of Delta Vision Foundation “Delta fix”

Recent Delta Plan Developments



- Delta Plan and regulations became effective on September 1, 2013
- Seven lawsuits have been filed against the Delta Plan
- Delta Stewardship Council now in implementation phase
- Randy Fiorini is newly elected Council chairman



Schedule



- Comment period for draft BDCP ends on April 14, 2014
- Final BDCP with ROD/NOD by October 2014
- SWRCB to adopt updated WQCP by mid-2014, followed by lengthy (multi-year) proceeding to implement objectives, including water right amendments

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