EBMUD

BOARD OF DIRECTORS
EAST BAY MUNICIPAL UTILITY DISTRICT

375 – 11th Street, Oakland, CA 94607 | Office of the Secretary: (510) 287-0440

AGENDA
Finance/Administration Committee
Tuesday, April 23, 2013
10:00 a.m.
Training Resource Center

(Committee Members: Directors Coleman {Chair}, Linney, and Patterson)

ROLL CALL:

PUBLIC COMMENT: The Board of Directors is limited by State law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.

DETERMINATION AND DISCUSSION:

1. Update on Viridis Fuels Lease Agreement (Haunschild)

2. Dodd-Frank Protocol and Amendment of Interest Rate Swap Policy (Sandler)

3. Financial Quarterly Reports: (Sandler)
   - Quarterly Investment Report – March 31, 2013
   - Quarterly Payroll, Disbursement and Real Estate Summary Reports for the Water and Wastewater Systems for Quarter Ended March 31, 2013

ADJOURNMENT:

Disability Notice

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Document Availability

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EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: April 18, 2013

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager ARC

FROM: Kurt B. Haunschild, Acting Director of Wastewater KBH

SUBJECT: Update on Viridis Fuels Lease Agreement

This memorandum provides an update on the Viridis Fuels lease agreement which was approved by the Board of Directors in October, 2011 and is scheduled for commencement on July 1, 2013. Staff will provide an update to the Board at the Finance/Administration Committee meeting on April 23.

BACKGROUND

In October 2011 the District signed a lease agreement with Viridis Fuels for a parcel of land located at the Main Wastewater Treatment Plant for construction of a biodiesel production facility. Upon lease commencement the agreement will provide rent revenue of approximately $486,000 per year, subject to annual CPI adjustments, plus annual value payments of $280,000 per year upon facility operation. The lease agreement assigns all responsibility for developing the project, including financing, construction, operation, feedstock procurement, off-take agreements, obtaining and complying with all required permits to Viridis Fuels.

Under the lease agreement Viridis Fuels is not responsible for rental payments until lease commencement. The lease agreement allows for a delay in lease commencement for up to 20 months but no later than July 1, 2013. Commencement is achieved by the submittal of a written intent to commence statement. If a statement of intent is not received by the District by May 1, 2013, the lease automatically commences on July 1, 2013.

Viridis Fuels has not commenced the lease to date. While one small portion of the property has been leased during the 20 months since agreement signing, most potential lessees have not been interested in short term leasing of the property. Currently, the District has multiple parties interested in a long term lease of the property for a range of uses including, container storage, truck parking, truck repair, and lumber storage. Annual lease value of the property is in the range of $450,000 to $500,000.

DISCUSSION

Viridis Fuels has not provided the District with written intent to commence the lease and has had no activity on District property. Last month, Viridis Fuels contacted the District and indicated that the project had not been moving as quickly as had been originally anticipated and indicated that they would likely be requesting that the District extend the commencement date of the lease agreement.

If Viridis Fuels does not wish to commence lease payments on July 1, 2013, District staff will explore the other land lease revenue generation opportunities mentioned above.

ARC:KBH:akg

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EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: April 18, 2013

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager ARC

FROM: Eric L. Sandler, Director of Finance

SUBJECT: Dodd-Frank Protocol and Amendment of Interest Rate Swap Policy

RECOMMENDATION

Review the authorization for the District to enter into the Dodd-Frank (DF) Protocol in order to facilitate the amendment, novation or termination (full or partial) of the District's existing swap transactions, and review the recommended changes to the Interest Rate Swap Policy 4.23 which contains an amendment to provide for compliance with written policies and selection procedures for a Qualified Independent Representative as specified in the DF Protocol.

This item will be reviewed with the Finance/Administration Committee on April 23, 2013.

SUMMARY

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") imposed new regulations governing the derivatives markets. The Securities and Exchange Commission and the Commodity Futures Trading Commission have promulgated final rules to implement Title VII of the Dodd-Frank Act, which are currently scheduled to be effective on May 1, 2013. The rules most relevant to the District focus primarily on "external business conduct" by swap dealers, and they are:

- Impose on swap dealers a duty to determine the "suitability" of any swap "recommended" to a counterparty
- Impose heightened suitability and "best interest" requirements for swaps with "Special Entities," including municipal counterparties like the District
- Provide swap dealers with a "safe harbor" from these requirements if the Special Entity is adequately advised and exercises independent judgment regarding any swap transaction

In response, the International Swaps and Derivatives Association, Inc. ("ISDA") has published the ISDA August 2012 DF Protocol (the "DF Protocol"). ISDA represents the interests of swap dealers and the DF Protocol is intended to assist swap dealers with meeting the safe harbor requirements.

The DF Protocol is a set of standard documents and agreements consisting of an Adherence Letter, a Protocol Agreement, a Questionnaire and a DF Supplement. One of the key requirements of the DF Protocol is that Special Entities like the District must be represented and advised by competent financial advisors known as "Qualified Independent Representatives" or "QIRs." In order to comply with the QIR requirements, it is necessary to amend the District's Interest Rate Swap Policy 4.23 to provide for the District to observe written policies and procedures in the selection of QIRs.

DISCUSSION

Several swap counterparties have informed the District's Financial Advisor that they will not enter into any type of swap transaction with the District (including the amendment, novation or termination, full or partial, of existing swap transactions) unless the District first enters into the DF Protocol. In order for the District to be positioned to engage in full or partial swap terminations without delay, staff recommends that the Board authorize the General Manager, Director of Finance, Treasury Manager or designee to enter into the DF Protocol.

ARC:ES:WH

Attachment

Policy 4.23R

EFFECTIVE ~~27 SEP 11~~ 01 MAY 13

SUPERSEDES ~~10 APR 07~~ 27 SEP 11

INTEREST RATE SWAP POLICY

IT IS THE POLICY OF THE EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Use swaps, caps, floors, collars, options and other derivative financial products (collectively referred to herein as "swaps") in conjunction with the District's management of its assets and liabilities. This policy is intended to serve as a source of information and guidance on the implementation and ongoing monitoring of swaps for the District and the rating agencies, as well as the general public and financial institutions wishing to do business with the District. See Glossary of Terms at the end of the policy.

Scope

This policy describes the circumstances and methods by which swaps will be used, the guidelines to be employed when swaps are used, and the responsibilities of the Finance Director in carrying out these policies. This policy applies to swaps entered into after April 10, 2007.

Authority

The District's legal authority for using swaps is based on Section 12875 of the Municipal Utility District Act of the State of California and the California Government Code Section 5922. Under this authority, the District may enter into swaps in connection with, or incidental to, the issuance or carrying of bonds or the acquisition or carrying of any investment or program of investment. In order to enter into swaps, the Board of Directors must determine that the swaps are designed to reduce the amount or duration of payment, currency, rate, spread, or similar risk, ~~or~~ result in a lower cost of borrowing, or that the swaps enhance the relationship between risk and return of the District's investments.

Upon entering into any swap transaction, the District shall receive an opinion acceptable to it from counsel to the effect that the District has the power and authority to execute the agreements relative to the swap, that the agreements are legal, valid and binding obligations of the District, and that they and their execution and delivery are not inconsistent with applicable laws.

Considerations

The District shall consider entering into swaps based on the following analysis:

~~1.~~(i) The appropriateness of the transaction for the District based on the balance of risks and rewards presented by the proposed transaction, including a detailed description of the transactional structure, a description of the risks it presents, and risk mitigation measures, where applicable;

~~2.~~(ii) The legal framework for the transaction within the context of California statutes, Board authorization, and relevant indenture and contractual requirements (including those contained in credit agreements), as well as any implications of the transaction under federal tax regulations;

~~3.~~(iii) The potential effects that the transaction may have on the credit ratings of any District obligations assigned by the rating agencies;

~~4.~~(iv) The potential impact of the transaction on any areas where the District's capacity may be constrained, now or in the future, including the availability of credit facilities such as bank liquidity facilities, letters of credit, and bond insurance;

~~5.~~(v) The impact on the District's policy limitation on variable rate exposure, taking into account the degree of variability in the District's net debt service payments that may be caused by basis risk, and specifically, by the form of basis risk known as tax risk (i.e., when a taxable index like LIBOR is used to hedge underlying tax-exempt floating rate debt);

~~6.~~(vi) The ability of the District and its professional staff to handle any administrative burden that may be imposed by the transaction, including accounting and financial reporting requirements; and

~~7.~~(vii) Other implications of the proposed transaction as warranted.

Approval to enter into a swap will be subject to appropriate legal authorization from the Board of Directors. The swap authorization will authorize the swap and its provisions, and establish authorized parameters for notional amount, swap maturity, source of payments, minimum or maximum rate as applicable and other relevant provisions. The swap authorization will specify the District officials, to whom authority is delegated to enter into, monitor and administer the swap, and the parameters within which their delegated authority may function. In the event of a conflict between a swap authorization and this Interest Rate Swap Policy, the terms and conditions of the swap authorization will govern.

Permitted Uses

Because of the effects of continual innovation in the financial markets, this Interest Rate Swap Policy recognizes that the reasons for use of swaps may change over time, taking advantage of market developments as they evolve and are tested. Among the strategies which the District may consider in applying swaps are:

~~1.~~(i) Managing the District's exposure to floating and fixed interest rates, through interest rate swaps, caps, floors, collars, and other option products;

~~2.~~(ii) Hedging variable rate risk with caps, collars, basis swaps, and other instruments;

~~3.~~(iii) Locking in fixed rates in current markets for use at a later date through the use of forward swaps, swaptions, rate locks, options, and forward delivery products;

~~4.~~(iv) Reducing the cost of fixed or variable rate debt, through swaps and related products to create a "synthetic" fixed or variable rate debt;

~~5.~~(v) More rapidly accessing the capital markets than may be possible with conventional debt instruments;

~~6.~~(vi) Managing the District's exposure to the risk of changes in the legal and regulatory treatment of tax-exempt bonds, including changes in federal marginal tax rates and other changes in tax laws that may affect the value of tax-exempt bonds relative to other investment alternatives;

~~7.~~(vii) Managing other forms of interest rate and basis risk, such as the performance of its obligations under various interest rate environments;

~~8.~~(viii) Managing the District's credit exposure to financial institutions and other entities through the use of offsetting swaps and other credit management products; and

~~9.~~(ix) Other applications to enable the District to increase income, lower costs, or strengthen the District's balance sheet.

When a swap is being used in connection with a refunding rather than a new-money bond issue in order to produce savings, as a general rule the level of savings should exceed the District's fixed rate refunding savings target for conventional debt. The analysis of savings should take into account the presence or absence of call options and advance refunding restrictions on both the bonds and the swap. When a swap is used in connection with a new-money financing, a similar analysis may be used, comparing the savings produced through use of a swap with a hypothetical conventional fixed rate financing.

Swap exposure will not be measured only on its "notional" or stated amount, but will also be measured based on the amount of actual existing and potential exposure to payments required to be made by the District in the event of a termination. Maximum potential exposure, also referred to as "peak exposure," will be determined by a standard quantitative measurement that reflects the size, term, and projected volatility of the swaps[1]. Exposure measurement will take into account offsetting swaps. The maximum potential exposure of all District swaps should be no more than 20% of outstanding debt for each enterprise i.e., Water system bonds and Wastewater system bonds. The District will also regularly evaluate its exposure to tax risk based on current legislative, regulatory and market developments.

While the District may use swaps to increase or decrease the amount of variable rate exposure on the District's balance sheet, the District will not enter into swaps under any of the following circumstances:

- The swap will expose the District to extraordinary leverage or risk;
- The swap serves a purely speculative purpose, such as entering into a swap for the sole purpose of trading gains;
- The District is unable to reasonably anticipate that it will have sufficient liquidity or financing capacity to terminate the swap at market rates, if it should need to;
- There is insufficient pricing data available to allow the District and its advisors to adequately value the swap.

Counterparty Credit Standards

Unlike conventional debt instruments, swap products can create for the District a continuing exposure to the creditworthiness of financial institutions that serve as the District's counterparties on swap transactions. To protect the District's interests in the event of a counterparty credit problem, swaps entered into by the District will adhere to the following standards:

[1] Peak exposure (also referred to as "value at risk") provides a quantification of the District's reasonable "worst case" swap exposure, i.e. the risk to the District in the event of a swap termination. It is calculated by applying stress tests to the District's swaps to show how large the potential termination cost of the swaps could be if markets moved in an extremely adverse manner. Market movements are typically calculated assuming two standard deviation changes in interest rates, based on historic and/or implied volatilities, to provide a better than 95% degree of confidence or an instantaneous 200 basis point change in rates as used by Standard & Poor's in its Derivative Debt Policy ratings. Note that an instantaneous 200 basis point change generally encompassed the extreme market moves observed over three month periods during the 2008/2009 credit crisis.

~~1.~~(i) **Use of highly rated counterparties:** Standards of creditworthiness, as measured by credit ratings, will determine eligible counterparties. Differing standards may be employed depending on the term, size, and interest-rate sensitivity of a transaction, types of counterparty, and potential for impact on the District's credit ratings. The District will enter into ~~transactions~~ swaps only with counterparties whose obligations are rated in the double-A category or better from at least one nationally recognized rating agency at the time the swap is entered into. In cases where the counterparty's obligations are rated based on a guarantee or specialized structure to achieve the required credit rating, the District shall thoroughly investigate the nature and legal structure of the guarantee or structure.

(ii) **Collateralization on downgrade**: If the counterparty's credit rating is downgraded below the double-A rating category, the District shall require that its exposure to the counterparty be reduced by the posting of collateral ~~collateralized~~ by the counterparty.

(iii) **Termination**: If the counterparty's credit is downgraded below an A-level rating, the District may exercise the right to terminate the transaction prior to its scheduled termination date notwithstanding the counterparty's posting of collateral. The District will seek to require, whenever possible, that terminations triggered by a counterparty credit downgrade will occur on the side of the bid-offered spread which is most beneficial to the District, and which would allow the District to go back into the market to replace the downgraded party with another suitable counterparty at no out-of-pocket cost to the District.

(iv) **Notice**: The District's swap counterparties will be required to notify the District in the event a credit agency takes negative action with regard to the counterparty's credit rating, including both an actual downgrading of the credit rating as well as the publication of a notice by a rating agency that the counterparty's rating is in jeopardy of a downgrading (i.e., being placed on Standard & Poor's Credit Watch or being assigned a negative outlook by Moody's).

(v) **Exposure limits**: In order to limit the District's counterparty risk, the District will avoid excessive concentration of exposure to a single counterparty or guarantor by diversifying its counterparty exposure over time. Exposure to any counterparty will be measured based on the termination value of any swap contracts entered into with the counterparty, as well as such other measurements as the District may deem suitable to measure potential changes in exposure, such as peak exposure. Termination value will be determined at least annually and reported to the Board, based on a current market calculation of the cost of terminating the swap contract given the market conditions on the valuation date. Aggregate swap termination value for each counterparty should take into account netting of offsetting transactions (i.e., fixed-to-floating vs. floating-to-fixed). The District may require counterparties to provide regular current market valuations of swaps they have entered into with the District, and may also seek independent valuations from third-party professionals.

Method of Procurement

The District may choose counterparties for entering into swap contracts on either a negotiated or competitive basis. As a general rule, a competitive selection process is preferred. Negotiated procurement may be used for original or proprietary products, for original ideas of applying a specified product to a District need, or to avoid market-pricing effects that would be detrimental to the District's interests. To provide safeguards on negotiated transactions, the District shall secure outside professional advice to assist in the process of structuring, documenting and pricing the transaction, and to render an opinion that a fair price was obtained.
In all transactions, regardless of procurement method, the counterparty shall be required to disclose all payments to third parties (including lobbyists, consultants and attorneys) who assisted the counterparty in securing business with the District and all payments made to third parties for the benefit of the District in connection with the swap transaction (such as fees to a broker or other intermediary). In addition, upon request of counsel to the District, the counterparty shall be required to disclose the terms of any "mirror" or "back-up" swap or other hedging relationship entered into by the counterparty in connection with the District's swap.

Documentation Guidelines

The District will use one of the forms of the International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement as a framework for swap documentation. The swap agreement between the District and each counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as the District, in consultation with its advisors and legal counsel, deems necessary or desirable.

Subject to the provisions contained herein, the terms of any new District swap agreement shall adhere to the following guidelines:

~~1.~~(i) Downgrade provisions triggering termination shall be reflective of the relative credit strength of the District in comparison with the swap provider. This comparison should give weight to the prevailing greater credit strength of public sector entities as compared with the credit strength and higher corporate-equivalent ratings assigned to private sector financial institutions. For example, downgrade provisions affecting the District would be triggered at a BBB- level, while downgrade provisions affecting the swap provider would be triggered at an A- level.

~~2.~~(ii) The District shall minimize or avoid cross default provisions. The specific indebtedness related to credit events in any swap agreement should be narrowly defined and refer only to indebtedness of the District that could have a materially adverse effect on the District's ability to perform its obligations under the swap. Debt shall only include obligations within the same or superior lien as the swap obligation.

~~3.~~(iii) Collateral thresholds for the swap provider shall be set on a sliding scale reflective of credit ratings[2]. Collateral requirements should be established and based upon the credit ratings of the swap provider or its guarantor. District collateral thresholds, if any, will be negotiated on a transaction-by-transaction basis.

[2] Collateral thresholds are used to determine the amount of securities that a swap counterparty must post as collateral to secure their potential payment if there were an early termination. The threshold is generally expressed as a specified dollar amount. If the current value of the swap exceeds the dollar amount, the counterparty is required to post collateral equal to the amount of the excess. As counterparty's credit ratings decline, the threshold amount should shrink, requiring collateral posting even for smaller mark-to-market values. If ratings drop far enough, the threshold will fall to zero, meaning the counterparty must post collateral equal to the full amount of the market-to-market value.

~~4.~~(iv) Eligible collateral shall be limited to cash, Treasuries and obligations of Federal Agencies, excluding interest-only, principal-only, and other complex securities.

~~5.~~(v) The District shall have the right to optionally terminate a swap agreement "at market" at any time over the term of the agreement. The swap provider shall have no similar right.

The District will agree to comply with the ISDA August 2012 DF Protocol (the "DF Protocol"), subject to such modifications as the officers of the District may deem to be in the best interest of the District, based upon the advice of the District's Financial Advisor or Bond Counsel, in order to facilitate future swap transactions, including the amendment, novation or termination (full or partial) of existing swap transactions. To that end, the District will comply with the policies and selection procedures for Qualified Independent Representatives specified in the DF Protocol and developed and implemented by District staff.

Risk Management

As a general rule, the District will manage the risks of its swap exposure on a District-wide or "macro" basis, and will evaluate individual transactions within the larger context of their impact across the District. Because of the size and complexity of the assets and liabilities of the District and its established financial systems and controls, the District will manage the risks and rewards of a swap program alongside its overall financial risks and rewards. As part of its risk management process, the District will evaluate the aggregate risk of its swap exposure as measured by value at risk, peak exposure, and/or realistic worst-case scenarios.

Among the risks that the District will monitor, evaluate, and seek to mitigate are the following, listed in the order of greatest potential impact:

Type of Risk	Description	Evaluation Methodology	Mitigation
Counterparty Risk	The risk of a failure of one of the District's swap providers to perform as required under a swap contract.	The District will evaluate the swap providers' credit ratings and existing exposure on other transactions.	The District will diversify its exposure, impose minimum credit rating standards and require protective documentation provisions. (See above, "Counterparty Credit Standards")
Termination Risk	The risk that a swap may be terminated prior to its scheduled maturity due to factors outside the District's control.	The District will review potential causes of early termination, including those resulting from documentation provisions and the likelihood of credit downgrade that could precipitate an early termination.	The District will use protective documentation provisions and will evaluate sources of internal liquidity and market access that could be used in the event a termination payment were required to be made.
Interest Rate Risk	The risk that the District's costs associated with variable-rate exposure increase and negatively affects budgets, coverage ratios and cash flow margins. Variable-rate exposure may be created by a swap from fixed to variable, or a swap that otherwise creates some type of variable liability, such as basis risk, tax risk or yield curve risk	Prior to taking on interest rate risk, the District will measure its capacity for floating rate exposure, based on policy targets for its mix of fixed and variable rate debt and investments, taking into consideration future variable rate needs.	The District will maintain variable rate exposure within the 25% limitation specified in its Cash Reserves and Debt Management Policy 4.02, and will make selected use of interest rate hedges, like caps and collars, to reduce that risk. In evaluating its variable rate exposure, the District will consider the residual risks of variable rate debt that is not fully hedged by swaps, such as basis and tax risk.

Type of Risk	Description	Evaluation Methodology	Mitigation
	(described below). The interest rate risk presented by such a swap may be increased as interest rates increase generally, as intra-market relationships change, or because of credit concerns relating to the District or a credit enhancer.		
Basis Risk	The risk that the floating rate on the swap fails to offset the variable rate on the associated asset or liability. Because swaps generally include cash flows based on a floating-rate index, the chosen index should correlate with the floating rate on the underlying instrument, but may not match exactly.	The District will measure and review the historic variation between the variable rate index used in the swap and the underlying variable rate instrument it is hedging. In the absence of a sufficient history of underlying instrument, it will use relevant comparable variable rate instruments. The degree of risks should be evaluated in comparison with degree of benefit provided.	The District will analyze historic relationships and consider mitigation techniques as warranted. When used in connection with an advanced refunding, mitigation techniques could include maintaining a cushion between the floating rate index and the expected trading level of the floating rate instrument, creating a reserve to cover potential basis risk mismatches, and including provisions for optional termination.
Tax Risk	A common type of basis risk on swaps used in conjunction with floating-rate tax-exempt debt is often referred to as “tax risk”, or the risk of a mismatch between the floating rate on the tax-exempt debt and a swap index based on a taxable index like LIBOR. The correlation between the LIBOR-based rate and the floating rate on the debt may change based on changes in tax law, for example, changes in marginal tax rates, or other market events that change the trading pattern between tax-exempt and taxable securities. This risk can also be created by “basis swaps,” where-in both parties pay a variable rate, but only one is based on a tax-exempt index.	The District will assess the risk of a significant tax law change that could reduce the benefits of a swap or generate unanticipated losses. Because this assessment requires judgment about future actions by the Federal government, the rewards for taking this risk should be deemed to be significantly greater than the risks, based on a careful assessment.	The District should monitor its tax risk position, including taking steps to reduce tax risk when favorable market opportunities present themselves, limiting tax risk to within acceptable bounds, and considering the use of financial mechanisms to cap tax risk exposure.
Yield-curve	Yield curve risk may be present in swaps where a longer-term variable rate is used to hedge a shorter-term variable, creating different potential gain and loss depending on the steepness of the yield curve. This form of swap, often called a “constant maturity swap” to reflect the	The District policy forbids the use of swaps purely for the purpose of obtaining trading gains. In addition to an examination of historic yield curves and the probability of net positive receipts, the District will also evaluate how the use of this swap fits into its overall risk management goals. For example, yield-	The District will identify offsetting transactions that mitigate the effect of continued or renewed flattening of yield curves. Also, the District will consider forward-starting instruments to limit negative cash-flows that might otherwise occur while the yield curve remains flat.

Type of Risk	Description	Evaluation Methodology	Mitigation
	fact that one party continues to receive payment based on a rolling long-term rate, is considered when the shape of the yield curve is flat, in anticipation of a steepening in the future.	curve swaps can help mitigate the underperformance of other structures in certain markets.	
Rollover Risk	When a swap is used in conjunction with underlying variable rate debt that allows the investor to redeem the debt with the District on a regular interval, bank facility rollover risk exists if the term of a needed liquidity or credit facility on the debt is shorter than the term of the swap. The District is at risk as to both the availability and the price of successive bank facilities.	The District will evaluate the likelihood of unavailability of bank facilities based on the underlying credit of the debt as well as the general market for liquidity facilities.	These are risks shared generally by variable-rate debt structures. The District may use any of the following mitigation techniques: purchasing longer term facilities for credits where rollover risk is greatest; including alternative floating rate mechanisms, like SIFMA Index Bonds, in the bond documents; and staggering the maturity dates of different liquidity facility programs to diversify points of market re-entry.
Pricing Risk	The risk that the swap may not be priced fairly in comparison to the market for comparable swap transactions.	Prior to entering into a swap, the District will make a determination that the transaction can be priced with reasonable transparency and confidence.	The District will not enter into overly complex or illiquid transactions where fair pricing cannot be ascertained. Where it meets District objectives (as outlined above in Section 7 "Method of Procurement"), the District will use a competitive process. For negotiated transactions, it will seek independent price verification.

Reporting

A report will be presented to the Board annually on the status of all outstanding swaps and compliance with this policy.

Glossary

Asset/Liability Matching. Matching the term and amount of assets and liabilities in order to mitigate the impact of changes of interest rates.

Basis Risk. The risk of a mismatch between an issuer's variable rate receipts (or payments) under a swap and its variable rate payments (or receipts) on the underlying bonds. Basis risk commonly occurs if variable rate swap payments are based on a percentage of LIBOR.

Basis Swap. A floating-to-floating rate swap in which one variable rate index is swapped for another. Basis swaps are commonly used to modify basis risk.

Bid/Ask Spread. The difference between the (i) bid price at which a market maker is willing to buy and (ii) the ask price at which a market maker is willing to sell.

Collar. A combination of an interest rate cap and an interest rate floor.

Collateralization Risk. The risk that circumstances will arise in the future that will require an agency to post collateral pursuant to a swap agreement

Counterparty. A party in a swap transaction.

Counterparty Credit Risk. The risk that the counterparty in a swap transaction may not be able to perform its financial obligations under the swap.

Credit Support. Collateral in the form of cash and/or marketable securities posted by one party to a swap agreement to reduce the credit exposure of the counterparty.

Credit Support Annex. A document governed by the ISDA Master Agreement which states the provisions and circumstances under which collateral posting is required.

Derivative Subsidiary. Typically created by a financial institution for entering into swap transactions. Such subsidiaries are usually guaranteed by the financial institution creating them, or are terminated if such financial institution falls into bankruptcy.

Fixed Rate Swap. An interest rate swap in which an agency pays a counterparty a fixed interest rate in exchange for receiving a variable interest rate - commonly used to create synthetic fixed rate obligations.

Variable Rate Swap. An interest rate swap in which an agency pays counterparty a variable interest rate in exchange for receiving a fixed interest rate - commonly used to create synthetic variable rate obligations.

Floor. A financial contract under which an issuer will make a payment to the swap provider when the underlying debt falls below the predetermined strike rate, or floor rate.

Forward Starting Swap. An interest rate swap under which the exchange of cash flows commences at later date - commonly used to lock in current interest rates for future transactions.

Interest Rate Cap. A financial contract in which the provider, in exchange for a fee, will make payments to an issuer of variable rate debt to the extent that the interest rate on that debt exceeds a specific rate (known as the "cap rate").

Interest Rate Swaps. A contractual agreement between two parties to exchange interest rate payments for a defined period of time.

ISDA Master Agreement. The standardized master legal agreement for all derivative transactions between an agency and counterparty.

LIBOR. London Inter-Bank Offered Rate, which is the interest rate banks charge each other for short-term money, up to a 12-month term. LIBOR is typically used as the index for the variable rate component of interest rate swaps.

Marked-to-Market. Calculation of the value of a financial instrument (e.g., an interest rate swap) based on current market rates.

Notional Amount. Similar to bond principal amount; used as the basis to determine the amount of swap interest payments. The notional amount will often amortize over time to match the amortization of the bonds to which the swap is related.

Optional Termination. The right of a party to terminate a swap at any time at prevailing market prices - in swap agreements, typically the agency is the only party to have such rights.

Settlement Amount. The amount the District or the counterparty would need to pay to the other upon early termination of the swap to make up for a loss in value due to a change in interest rates.

Swap Curve. The swap's equivalent of a yield curve for fixed rate securities. The swap curve identifies the relationship between rates at varying maturities.

Strike Rate. The rate at which the cash flows will be exchanged between the purchaser and the seller.

Swaption. An option on an interest swap that gives the purchaser the right, but not the obligation to begin, terminate or extend a swap based on certain agreed upon parameters.

Synthetic Fixed Rate. A synthetic fixed rate is created when issuing variable rate sales tax revenue bonds together with entering into a variable to fixed interest rate swap agreement.

Termination Event. Events that allow for the termination of a swap, e.g., a credit downgrade of the counterparty.

Termination Payment. Payment made by one counterparty to the other if the swap is terminated before its scheduled termination date. The payment is commonly based on the market value of the swap.

Threshold. The point at which the counterparty or the District will need to post collateral under the swap agreement. Threshold will vary with rating levels.

Authority

Adopted by Resolution 33591-07, April 10, 2007
Adopted by Resolution 33841-11, September 27, 2011
Adopted by Resolution XXXXX-13, April 23, 2013

Policy 4.23

EFFECTIVE 01 MAY 13

SUPERSEDES 27 SEP 11

INTEREST RATE SWAP POLICY

IT IS THE POLICY OF THE EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Use swaps, caps, floors, collars, options and other derivative financial products (collectively referred to herein as “swaps”) in conjunction with the District’s management of its assets and liabilities. This policy is intended to serve as a source of information and guidance on the implementation and ongoing monitoring of swaps for the District and the rating agencies, as well as the general public and financial institutions wishing to do business with the District. See Glossary of Terms at the end of the policy.

Scope

This policy describes the circumstances and methods by which swaps will be used, the guidelines to be employed when swaps are used, and the responsibilities of the Finance Director in carrying out these policies. This policy applies to swaps entered into after April 10, 2007.

Authority

The District’s legal authority for using swaps is based on Section 12875 of the Municipal Utility District Act of the State of California and the California Government Code Section 5922. Under this authority, the District may enter into swaps in connection with, or incidental to, the issuance or carrying of bonds or the acquisition or carrying of any investment or program of investment. In order to enter into swaps, the Board of Directors must determine that the swaps are designed to reduce the amount or duration of payment, currency, rate, spread, or similar risk, result in a lower cost of borrowing, or that the swaps enhance the relationship between risk and return of the District’s investments.

Upon entering into any swap transaction, the District shall receive an opinion acceptable to it from counsel to the effect that the District has the power and authority to execute the agreements relative to the swap, that the agreements are legal, valid and binding obligations of the District, and that they and their execution and delivery are not inconsistent with applicable laws.

Considerations

The District shall consider entering into swaps based on the following analysis:

(i) The appropriateness of the transaction for the District based on the balance of risks and rewards presented by the proposed transaction, including a detailed description of the transactional structure, a description of the risks it presents, and risk mitigation measures, where applicable;

(ii) The legal framework for the transaction within the context of California statutes, Board authorization, and relevant indenture and contractual requirements (including those contained in credit agreements), as well as any implications of the transaction under federal tax regulations;

(iii) The potential effects that the transaction may have on the credit ratings of any District obligations assigned by the rating agencies;

(iv) The potential impact of the transaction on any areas where the District’s capacity may be constrained, now or in the future, including the availability of credit facilities such as bank liquidity facilities, letters of credit, and bond insurance;

(v) The impact on the District's policy limitation on variable rate exposure, taking into account the degree of variability in the District's net debt service payments that may be caused by basis risk, and specifically, by the form of basis risk known as tax risk (i.e., when a taxable index like LIBOR is used to hedge underlying tax-exempt floating rate debt);
(vi) The ability of the District and its professional staff to handle any administrative burden that may be imposed by the transaction, including accounting and financial reporting requirements; and
(vii) Other implications of the proposed transaction as warranted.

Approval to enter into a swap will be subject to appropriate legal authorization from the Board of Directors. The swap authorization will authorize the swap and its provisions, and establish authorized parameters for notional amount, swap maturity, source of payments, minimum or maximum rate as applicable and other relevant provisions. The swap authorization will specify the District officials, to whom authority is delegated to enter into, monitor and administer the swap, and the parameters within which their delegated authority may function. In the event of a conflict between a swap authorization and this Interest Rate Swap Policy, the terms and conditions of the swap authorization will govern.

Permitted Uses

Because of the effects of continual innovation in the financial markets, this Interest Rate Swap Policy recognizes that the reasons for use of swaps may change over time, taking advantage of market developments as they evolve and are tested. Among the strategies which the District may consider in applying swaps are:

(i) Managing the District's exposure to floating and fixed interest rates, through interest rate swaps, caps, floors, collars, and other option products;
(ii) Hedging variable rate risk with caps, collars, basis swaps, and other instruments;
(iii) Locking in fixed rates in current markets for use at a later date through the use of forward swaps, swaptions, rate locks, options, and forward delivery products;
(iv) Reducing the cost of fixed or variable rate debt, through swaps and related products to create a "synthetic" fixed or variable rate debt;
(v) More rapidly accessing the capital markets than may be possible with conventional debt instruments;
(vi) Managing the District's exposure to the risk of changes in the legal and regulatory treatment of tax-exempt bonds, including changes in federal marginal tax rates and other changes in tax laws that may affect the value of tax-exempt bonds relative to other investment alternatives;
(vii) Managing other forms of interest rate and basis risk, such as the performance of its obligations under various interest rate environments;
(viii) Managing the District's credit exposure to financial institutions and other entities through the use of offsetting swaps and other credit management products; and
(ix) Other applications to enable the District to increase income, lower costs, or strengthen the District's balance sheet.

When a swap is being used in connection with a refunding rather than a new-money bond issue in order to produce savings, as a general rule the level of savings should exceed the District's fixed rate refunding savings target for conventional debt. The analysis of savings should take into account the presence or absence of call options and advance refunding restrictions on both the bonds and the swap. When a swap is used in connection with a new-money financing, a similar analysis may be used, comparing the savings produced through use of a swap with a hypothetical conventional fixed rate financing.

Swap exposure will not be measured only on its "notional" or stated amount, but will also be measured based on the amount of actual existing and potential exposure to payments required to be made by the District in the event of a termination. Maximum potential exposure, also referred to as "peak exposure," will be determined by a standard quantitative measurement that reflects the size, term, and projected volatility of the swaps[1]. Exposure measurement will take into account offsetting swaps. The maximum potential exposure of all District swaps should be no more than 20% of outstanding debt for each enterprise i.e., Water system bonds and Wastewater system bonds. The District will also regularly evaluate its exposure to tax risk based on current legislative, regulatory and market developments.

While the District may use swaps to increase or decrease the amount of variable rate exposure on the District's balance sheet, the District will not enter into swaps under any of the following circumstances:

- The swap will expose the District to extraordinary leverage or risk;
- The swap serves a purely speculative purpose, such as entering into a swap for the sole purpose of trading gains;
- The District is unable to reasonably anticipate that it will have sufficient liquidity or financing capacity to terminate the swap at market rates, if it should need to;
- There is insufficient pricing data available to allow the District and its advisors to adequately value the swap.

Counterparty Credit Standards

Unlike conventional debt instruments, swap products can create for the District a continuing exposure to the creditworthiness of financial institutions that serve as the District's counterparties on swap transactions. To protect the District's interests in the event of a counterparty credit problem, swaps entered into by the District will adhere to the following standards:

[1] Peak exposure (also referred to as "value at risk") provides a quantification of the District's reasonable "worst case" swap exposure, i.e. the risk to the District in the event of a swap termination. It is calculated by applying stress tests to the District's swaps to show how large the potential termination cost of the swaps could be if markets moved in an extremely adverse manner. Market movements are typically calculated assuming two standard deviation changes in interest rates, based on historic and/or implied volatilities, to provide a better than 95% degree of confidence or an instantaneous 200 basis point change in rates as used by Standard & Poor's in its Derivative Debt Policy ratings. Note that an instantaneous 200 basis point change generally encompassed the extreme market moves observed over three month periods during the 2008/2009 credit crisis.

(i) **Use of highly rated counterparties:** Standards of creditworthiness, as measured by credit ratings, will determine eligible counterparties. Differing standards may be employed depending on the term, size, and interest-rate sensitivity of a transaction, types of counterparty, and potential for impact on the District's credit ratings. The District will enter into swaps only with counterparties whose obligations are rated in the double-A category or better from at least one nationally recognized rating agency at the time the swap is entered into. In cases where the counterparty's obligations are rated based on a guarantee or specialized structure to achieve the required credit rating, the District shall thoroughly investigate the nature and legal structure of the guarantee or structure.

(ii) **Collateralization on downgrade**: If the counterparty's credit rating is downgraded below the double-A rating category, the District shall require that its exposure to the counterparty be reduced by the posting of collateral by the counterparty.

(iii) **Termination**: If the counterparty's credit is downgraded below an A-level rating, the District may exercise the right to terminate the transaction prior to its scheduled termination date notwithstanding the counterparty's posting of collateral. The District will seek to require, whenever possible, that terminations triggered by a counterparty credit downgrade will occur on the side of the bid-offered spread which is most beneficial to the District, and which would allow the District to go back into the market to replace the downgraded party with another suitable counterparty at no out-of-pocket cost to the District.

(iv) **Notice**: The District's swap counterparties will be required to notify the District in the event a credit agency takes negative action with regard to the counterparty's credit rating, including both an actual downgrading of the credit rating as well as the publication of a notice by a rating agency that the counterparty's rating is in jeopardy of a downgrading (i.e., being placed on Standard & Poor's Credit Watch or being assigned a negative outlook by Moody's).

(v) **Exposure limits**: In order to limit the District's counterparty risk, the District will avoid excessive concentration of exposure to a single counterparty or guarantor by diversifying its counterparty exposure over time. Exposure to any counterparty will be measured based on the termination value of any swap contracts entered into with the counterparty, as well as such other measurements as the District may deem suitable to measure potential changes in exposure, such as peak exposure. Termination value will be determined at least annually and reported to the Board, based on a current market calculation of the cost of terminating the swap contract given the market conditions on the valuation date. Aggregate swap termination value for each counterparty should take into account netting of offsetting transactions (i.e., fixed-to-floating vs. floating-to-fixed). The District may require counterparties to provide regular current market valuations of swaps they have entered into with the District, and may also seek independent valuations from third-party professionals.

Method of Procurement

The District may choose counterparties for entering into swap contracts on either a negotiated or competitive basis. As a general rule, a competitive selection process is preferred. Negotiated procurement may be used for original or proprietary products, for original ideas of applying a specified product to a District need, or to avoid market-pricing effects that would be detrimental to the District's interests. To provide safeguards on negotiated transactions, the District shall secure outside professional advice to assist in the process of structuring, documenting and pricing the transaction, and to render an opinion that a fair price was obtained.
In all transactions, regardless of procurement method, the counterparty shall be required to disclose all payments to third parties (including lobbyists, consultants and attorneys) who assisted the counterparty in securing business with the District and all payments made to third parties for the benefit of the District in connection with the swap transaction (such as fees to a broker or other intermediary). In addition, upon request of counsel to the District, the counterparty shall be required to disclose the terms of any "mirror" or "back-up" swap or other hedging relationship entered into by the counterparty in connection with the District's swap.

Documentation Guidelines

The District will use one of the forms of the International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement as a framework for swap documentation. The swap agreement between the District and each counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as the District, in consultation with its advisors and legal counsel, deems necessary or desirable.

Subject to the provisions contained herein, the terms of any new District swap agreement shall adhere to the following guidelines:

(i) Downgrade provisions triggering termination shall be reflective of the relative credit strength of the District in comparison with the swap provider. This comparison should give weight to the prevailing greater credit strength of public sector entities as compared with the credit strength and higher corporate-equivalent ratings assigned to private sector financial institutions. For example, downgrade provisions affecting the District would be triggered at a BBB- level, while downgrade provisions affecting the swap provider would be triggered at an A- level.

(ii) The District shall minimize or avoid cross default provisions. The specific indebtedness related to credit events in any swap agreement should be narrowly defined and refer only to indebtedness of the District that could have a materially adverse effect on the District's ability to perform its obligations under the swap. Debt shall only include obligations within the same or superior lien as the swap obligation.

(iii) Collateral thresholds for the swap provider shall be set on a sliding scale reflective of credit ratings[2]. Collateral requirements should be established and based upon the credit ratings of the swap provider or its guarantor. District collateral thresholds, if any, will be negotiated on a transaction-by-transaction basis.

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[2] Collateral thresholds are used to determine the amount of securities that a swap counterparty must post as collateral to secure their potential payment if there were an early termination. The threshold is generally expressed as a specified dollar amount. If the current value of the swap exceeds the dollar amount, the counterparty is required to post collateral equal to the amount of the excess. As counterparty's credit ratings decline, the threshold amount should shrink, requiring collateral posting even for smaller mark-to-market values. If ratings drop far enough, the threshold will fall to zero, meaning the counterparty must post collateral equal to the full amount of the market-to-market value.

(iv) Eligible collateral shall be limited to cash, Treasuries and obligations of Federal Agencies, excluding interest-only, principal-only, and other complex securities.

(v) The District shall have the right to optionally terminate a swap agreement "at market" at any time over the term of the agreement. The swap provider shall have no similar right.

The District will agree to comply with the ISDA August 2012 DF Protocol (the "DF Protocol"), subject to such modifications as the officers of the District may deem to be in the best interest of the District, based upon the advice of the District's Financial Advisor or Bond Counsel, in order to facilitate future swap transactions, including the amendment, novation or termination (full or partial) of existing swap transactions. To that end, the District will comply with the policies and selection procedures for Qualified Independent Representatives specified in the DF Protocol and developed and implemented by District staff.

Risk Management

As a general rule, the District will manage the risks of its swap exposure on a District-wide or "macro" basis, and will evaluate individual transactions within the larger context of their impact across the District. Because of the size and complexity of the assets and liabilities of the District and its established financial systems and controls, the District will manage the risks and rewards of a swap program alongside its overall financial risks and rewards. As part of its risk management process, the District will evaluate the aggregate risk of its swap exposure as measured by value at risk, peak exposure, and/or realistic worst-case scenarios.

Among the risks that the District will monitor, evaluate, and seek to mitigate are the following, listed in the order of greatest potential impact:

Type of Risk	Description	Evaluation Methodology	Mitigation
Counterparty Risk	The risk of a failure of one of the District's swap providers to perform as required under a swap contract.	The District will evaluate the swap providers' credit ratings and existing exposure on other transactions.	The District will diversify its exposure, impose minimum credit rating standards and require protective documentation provisions. (See above, "Counterparty Credit Standards")
Termination Risk	The risk that a swap may be terminated prior to its scheduled maturity due to factors outside the District's control.	The District will review potential causes of early termination, including those resulting from documentation provisions and the likelihood of credit downgrade that could precipitate an early termination.	The District will use protective documentation provisions and will evaluate sources of internal liquidity and market access that could be used in the event a termination payment were required to be made.
Interest Rate Risk	The risk that the District's costs associated with variable-rate exposure increase and negatively affects budgets, coverage ratios and cash flow margins. Variable-rate exposure may be created by a swap from fixed to variable, or a swap that otherwise creates some type of variable liability, such as basis risk, tax risk or yield curve risk	Prior to taking on interest rate risk, the District will measure its capacity for floating rate exposure, based on policy targets for its mix of fixed and variable rate debt and investments, taking into consideration future variable rate needs.	The District will maintain variable rate exposure within the 25% limitation specified in its Cash Reserves and Debt Management Policy 4.02, and will make selected use of interest rate hedges, like caps and collars, to reduce that risk. In evaluating its variable rate exposure, the District will consider the residual risks of variable rate debt that is not fully hedged by swaps, such as basis and tax risk.

Type of Risk	Description	Evaluation Methodology	Mitigation
	(described below). The interest rate risk presented by such a swap may be increased as interest rates increase generally, as intra-market relationships change, or because of credit concerns relating to the District or a credit enhancer.		
Basis Risk	The risk that the floating rate on the swap fails to offset the variable rate on the associated asset or liability. Because swaps generally include cash flows based on a floating-rate index, the chosen index should correlate with the floating rate on the underlying instrument, but may not match exactly.	The District will measure and review the historic variation between the variable rate index used in the swap and the underlying variable rate instrument it is hedging. In the absence of a sufficient history of underlying instrument, it will use relevant comparable variable rate instruments. The degree of risks should be evaluated in comparison with degree of benefit provided.	The District will analyze historic relationships and consider mitigation techniques as warranted. When used in connection with an advanced refunding, mitigation techniques could include maintaining a cushion between the floating rate index and the expected trading level of the floating rate instrument, creating a reserve to cover potential basis risk mismatches, and including provisions for optional termination.
Tax Risk	A common type of basis risk on swaps used in conjunction with floating-rate tax-exempt debt is often referred to as “tax risk”, or the risk of a mismatch between the floating rate on the tax-exempt debt and a swap index based on a taxable index like LIBOR. The correlation between the LIBOR-based rate and the floating rate on the debt may change based on changes in tax law, for example, changes in marginal tax rates, or other market events that change the trading pattern between tax-exempt and taxable securities. This risk can also be created by “basis swaps,” where-in both parties pay a variable rate, but only one is based on a tax-exempt index.	The District will assess the risk of a significant tax law change that could reduce the benefits of a swap or generate unanticipated losses. Because this assessment requires judgment about future actions by the Federal government, the rewards for taking this risk should be deemed to be significantly greater than the risks, based on a careful assessment.	The District should monitor its tax risk position, including taking steps to reduce tax risk when favorable market opportunities present themselves, limiting tax risk to within acceptable bounds, and considering the use of financial mechanisms to cap tax risk exposure.
Yield-curve	Yield curve risk may be present in swaps where a longer-term variable rate is used to hedge a shorter-term variable, creating different potential gain and loss depending on the steepness of the yield curve. This form of swap, often called a “constant maturity swap” to reflect the fact that one party	The District policy forbids the use of swaps purely for the purpose of obtaining trading gains. In addition to an examination of historic yield curves and the probability of net positive receipts, the District will also evaluate how the use of this swap fits into its overall risk management goals. For example, yield-curve swaps can help mitigate	The District will identify offsetting transactions that mitigate the effect of continued or renewed flattening of yield curves. Also, the District will consider forward-starting instruments to limit negative cash-flows that might otherwise occur while the yield curve remains flat.

Type of Risk	Description	Evaluation Methodology	Mitigation
	continues to receive payment based on a rolling long-term rate, is considered when the shape of the yield curve is flat, in anticipation of a steepening in the future.	the underperformance of other structures in certain markets.	
Rollover Risk	When a swap is used in conjunction with underlying variable rate debt that allows the investor to redeem the debt with the District on a regular interval, bank facility rollover risk exists if the term of a needed liquidity or credit facility on the debt is shorter than the term of the swap. The District is at risk as to both the availability and the price of successive bank facilities.	The District will evaluate the likelihood of unavailability of bank facilities based on the underlying credit of the debt as well as the general market for liquidity facilities.	These are risks shared generally by variable-rate debt structures. The District may use any of the following mitigation techniques: purchasing longer term facilities for credits where rollover risk is greatest; including alternative floating rate mechanisms, like SIFMA Index Bonds, in the bond documents; and staggering the maturity dates of different liquidity facility programs to diversify points of market re-entry.
Pricing Risk	The risk that the swap may not be priced fairly in comparison to the market for comparable swap transactions.	Prior to entering into a swap, the District will make a determination that the transaction can be priced with reasonable transparency and confidence.	The District will not enter into overly complex or illiquid transactions where fair pricing cannot be ascertained. Where it meets District objectives (as outlined above in Section 7 “Method of Procurement”), the District will use a competitive process. For negotiated transactions, it will seek independent price verification.

Reporting

A report will be presented to the Board annually on the status of all outstanding swaps and compliance with this policy.

Glossary

Asset/Liability Matching. Matching the term and amount of assets and liabilities in order to mitigate the impact of changes of interest rates.

Basis Risk. The risk of a mismatch between an issuer's variable rate receipts (or payments) under a swap and its variable rate payments (or receipts) on the underlying bonds. Basis risk commonly occurs if variable rate swap payments are based on a percentage of LIBOR.

Basis Swap. A floating-to-floating rate swap in which one variable rate index is swapped for another. Basis swaps are commonly used to modify basis risk.

Bid/Ask Spread. The difference between the (i) bid price at which a market maker is willing to buy and (ii) the ask price at which a market maker is willing to sell.

Collar. A combination of an interest rate cap and an interest rate floor.

Collateralization Risk. The risk that circumstances will arise in the future that will require an agency to post collateral pursuant to a swap agreement

Counterparty. A party in a swap transaction.

Counterparty Credit Risk. The risk that the counterparty in a swap transaction may not be able to perform its financial obligations under the swap.

Credit Support. Collateral in the form of cash and/or marketable securities posted by one party to a swap agreement to reduce the credit exposure of the counterparty.

Credit Support Annex. A document governed by the ISDA Master Agreement which states the provisions and circumstances under which collateral posting is required.

Derivative Subsidiary. Typically created by a financial institution for entering into swap transactions. Such subsidiaries are usually guaranteed by the financial institution creating them, or are terminated if such financial institution falls into bankruptcy.

Fixed Rate Swap. An interest rate swap in which an agency pays a counterparty a fixed interest rate in exchange for receiving a variable interest rate - commonly used to create synthetic fixed rate obligations.

Variable Rate Swap. An interest rate swap in which an agency pays counterparty a variable interest rate in exchange for receiving a fixed interest rate - commonly used to create synthetic variable rate obligations.

Floor. A financial contract under which an issuer will make a payment to the swap provider when the underlying debt falls below the predetermined strike rate, or floor rate.

Forward Starting Swap. An interest rate swap under which the exchange of cash flows commences at later date - commonly used to lock in current interest rates for future transactions.

Interest Rate Cap. A financial contract in which the provider, in exchange for a fee, will make payments to an issuer of variable rate debt to the extent that the interest rate on that debt exceeds a specific rate (known as the "cap rate").

Interest Rate Swaps. A contractual agreement between two parties to exchange interest rate payments for a defined period of time.

ISDA Master Agreement. The standardized master legal agreement for all derivative transactions between an agency and counterparty.

LIBOR. London Inter-Bank Offered Rate, which is the interest rate banks charge each other for short-term money, up to a 12-month term. LIBOR is typically used as the index for the variable rate component of interest rate swaps.

Marked-to-Market. Calculation of the value of a financial instrument (e.g., an interest rate swap) based on current market rates.

Notional Amount. Similar to bond principal amount; used as the basis to determine the amount of swap interest payments. The notional amount will often amortize over time to match the amortization of the bonds to which the swap is related.

Optional Termination. The right of a party to terminate a swap at any time at prevailing market prices - in swap agreements, typically the agency is the only party to have such rights.

Settlement Amount. The amount the District or the counterparty would need to pay to the other upon early termination of the swap to make up for a loss in value due to a change in interest rates.

Swap Curve. The swap's equivalent of a yield curve for fixed rate securities. The swap curve identifies the relationship between rates at varying maturities.

Strike Rate. The rate at which the cash flows will be exchanged between the purchaser and the seller.

Swaption. An option on an interest swap that gives the purchaser the right, but not the obligation to begin, terminate or extend a swap based on certain agreed upon parameters.

Synthetic Fixed Rate. A synthetic fixed rate is created when issuing variable rate sales tax revenue bonds together with entering into a variable to fixed interest rate swap agreement.

Termination Event. Events that allow for the termination of a swap, e.g., a credit downgrade of the counterparty.

Termination Payment. Payment made by one counterparty to the other if the swap is terminated before its scheduled termination date. The payment is commonly based on the market value of the swap.

Threshold. The point at which the counterparty or the District will need to post collateral under the swap agreement. Threshold will vary with rating levels.

Authority

Adopted by Resolution 33591-07, April 10, 2007
Adopted by Resolution 33841-11, September 27, 2011
Adopted by Resolution XXXXX-13, April 23, 2013

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: April 18, 2013

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager ARC

FROM: Eric L. Sandler, Director of Finance

SUBJECT: Quarterly Investment Report – March 31, 2013

SUMMARY

File the March 31, 2013 quarterly investment report with the Board in accordance with Section 53646 of the Government Code which requires the Treasurer of the District to submit to the General Manager, the Internal Auditor, and the Board of Directors a quarterly investment report.

This report will be reviewed with the Finance/Administration Committee on April 23, 2013.

DISCUSSION

The investments held by the District on March 31, 2013 are shown in Attachment A and totaled $498.8 million. The portfolio yielded 0.72%. The investment portfolio is in full compliance with the Board's adopted policy regarding District investments. The investment portfolio includes Debt Service Reserve Funds of approximately $34.1 million and $2.5 million respectively for the Water and Wastewater Systems that are invested in Federal Agency notes, an investment agreement and short term money market funds. In addition, bond proceeds and Capitalized Interest funds from the Wastewater Series 2010B bonds are included in the portfolio and are invested in the Local Agency Investment Fund, Federal Agency notes and short term money market funds.

In compliance with Section 53646(b)3 of the Government Code, this report denotes that the District will be able to meet expenditure requirements for the next six months from a combination of maturing investments and revenues from budgeted operations.

- As directed by Resolution 30127, Attachment B for the quarter ending March 31, 2013 lists investment transactions covering the period January 1, 2013 through March 31, 2013.

- Attachment C shows a comparison of the yield of the District's portfolio against the yield on the 90-day Treasury bill and the Federal Funds Rate. It also shows the composition and credit allocation of the District's investment portfolio. On March 31, 2013, the Federal Funds Rate was 0.25% and the yield on the 90-day Treasury bill was 0.07%. A forecast of the projected cash balance of the Water and Wastewater System General Funds for the next six months is also included.

ARC:ELS:WH

Attachment A Portfolio Summary as of March 31, 2013
Attachment B Quarterly Investment Transactions as of March 31, 2013
Attachment C Yield and Composition of Investment Portfolio as of March 31, 2013

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East Bay Municipal Utility Dis
Portfolio Management
Portfolio Summary
March 31, 2013

Attachment A

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Certificates of Deposit	10,945,000.00	10,945,000.00	10,945,000.00	2.19	365	191	0.374	0.379
LAIF/Money Market Funds	201,903,684.95	201,903,684.95	201,903,684.95	40.48	1	1	0.161	0.164
Money Market Funds	259,344.66	259,344.66	259,344.66	0.05	1	1	0.001	0.001
Guaranteed Investment Contracts	12,000,000.00	12,000,000.00	12,000,000.00	2.41	1	1	4.788	4.855
Medium Term Notes	86,510,000.00	88,312,222.82	89,345,788.60	17.91	938	362	1.428	1.448
Federal Agency Issues - Coupon	98,556,000.00	99,007,897.62	100,556,038.21	20.16	1,301	958	0.711	0.721
Municipal Bonds	83,105,000.00	83,386,115.15	83,772,835.75	16.80	4,979	4,565	0.705	0.715
Investments	**493,279,029.61**	**495,814,265.20**	**498,782,692.17**	**100.00%**	**1,275**	**1,029**	**0.706**	**0.716**
Cash and Accrued Interest								
Accrued Interest at Purchase		26,598.61	26,598.61					
Subtotal		26,598.61	26,598.61					
Total Cash and Investments	**493,279,029.61**	**495,840,863.81**	**498,809,290.78**		**1,275**	**1,029**	**0.706**	**0.716**

Total Earnings	March 31 Month Ending	Fiscal Year To Date
Current Year	527,659.35	4,126,193.11
Average Daily Balance	**502,584,907.77**	

Eric L. Sandler, Director of Finance

Reporting period 03/01/2013-03/31/2013

Run Date: 04/05/2013 - 15:13

Portfolio EMUD
CP
PM (PRF_PM1) SymRept 6.41.202b
Report Ver. 5.00

East Bay Municipal Utility Dis
Portfolio Management
Portfolio Details - Investments
March 31, 2013

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Certificates of Deposit												
SYS400145	400145	Torrey Pines Bank		06/14/2012	1,000,000.00	1,000,000.00	1,000,000.00	0.300		0.304	74	06/14/2013
SYS400147	400147	Torrey Pines Bank		10/25/2012	9,000,000.00	9,000,000.00	9,000,000.00	0.400		0.406	207	10/25/2013
SYS400146	400146	Community Bank of the Bay		08/23/2012	500,000.00	500,000.00	500,000.00	0.100		0.101	144	08/23/2013
SYS400148	400148	Community Bank of the Bay		10/29/2012	100,000.00	100,000.00	100,000.00	0.350		0.355	211	10/29/2013
SYS400144	400144	Metropolitan		04/13/2012	95,000.00	95,000.00	95,000.00	0.300		0.304	11	04/12/2013
SYS400149	400149	Summit Bank		12/02/2012	150,000.00	150,000.00	150,000.00	0.250		0.253	242	11/29/2013
SYS400150	400150	Summit Bank		12/08/2012	100,000.00	100,000.00	100,000.00	0.400		0.406	251	12/08/2013
		Subtotal and Average	10,945,000.00		10,945,000.00	10,945,000.00	10,945,000.00			0.379	191	
LAIF/Money Market Funds												
SYS910000	910000	BNY Dreyfus Treasury Reserve F			0.00	0.00	0.00	0.001		0.001	1	
SYS910001	910001	BNY Dreyfus Treasury Reserve F			6,108,077.45	6,108,077.45	6,108,077.45	0.001		0.001	1	
SYS910002	910002	BNY Dreyfus Treasury Reserve F			636,914.88	636,914.88	636,914.88	0.001		0.001	1	
SYS910003	910003	BNY Dreyfus Treasury Reserve F			2,467,282.64	2,467,282.64	2,467,282.64	0.001		0.001	1	
SYS910004	910004	BNY Dreyfus Treasury Reserve F			0.00	0.00	0.00	0.001		0.001	1	
SYS910005	910005	BNY Dreyfus Treasury Reserve F			292,918.00	292,918.00	292,918.00	0.001		0.001	1	
SYS910006	910006	BNY Dreyfus Treasury Reserve F			4,898,975.00	4,898,975.00	4,898,975.00	0.001		0.001	1	
SYS900038	900038	LAIF-DERWA			0.00	0.00	0.00	0.290		0.290	1	
SYS900032	900032	Federated-Water			36,100,000.00	36,100,000.00	36,100,000.00	0.120		0.120	1	
SYS900033	900033	Federated-Wastewater			6,200,000.00	6,200,000.00	6,200,000.00	0.120		0.120	1	
SYS900076	900076	Wastewater Series 2008C DSRF			2,538,036.19	2,538,036.19	2,538,036.19	0.001		0.001	1	
SYS900051	900051	LAIF - FERC Partnership			1,000,000.00	1,000,000.00	1,000,000.00	0.290		0.290	1	
SYS900070	900070	LAIF DERWA CP Issue			0.00	0.00	0.00	0.290		0.290	1	
SYS900004	900004	LAIF-FRWA JPA			2,750,000.00	2,750,000.00	2,750,000.00	0.290		0.290	1	
SYS900005	900005	LAIF WW2010B Construction			5,300,000.00	5,300,000.00	5,300,000.00	0.290		0.290	1	
SYS900030	900030	LAIF-BADA			3,416,600.00	3,416,600.00	3,416,600.00	0.290		0.290	1	
SYS900002	900002	LAIF-EMPLOYEES RETIREMENT			12,661,480.79	12,661,480.79	12,661,480.79	0.290		0.290	1	
SYS900029	900029	LAIF IICP			150,500.00	150,500.00	150,500.00	0.290		0.290	1	
SYS900001	900001	LAIF-WATER CONSOL FUND			24,287,800.00	24,287,800.00	24,287,800.00	0.290		0.290	1	
SYS900003	900003	LAIF-WASTEWATER CONSOL FUND			18,321,100.00	18,321,100.00	18,321,100.00	0.290		0.290	1	
SYS900044	900044	ML Institutional Fund			400,000.00	400,000.00	400,000.00	0.110		0.110	1	
SYS900067	900067	ML Institutional Fund			38,100,000.00	38,100,000.00	38,100,000.00	0.110		0.110	1	
SYS900068	900068	ML Institutional Fund			6,000,000.00	6,000,000.00	6,000,000.00	0.110		0.110	1	
SYS900039	900039	Morgan Stanley			0.00	0.00	0.00	0.100		0.100	1	
SYS900028	900028	UBS Fund			2,500,000.00	2,500,000.00	2,500,000.00	0.110		0.110	1	
SYS900035	900035	UBS Fund			8,700,000.00	8,700,000.00	8,700,000.00	0.110		0.110	1	

East Bay Municipal Utility Dis
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
LAIF/Money Market Funds												
SYS900037	900037	UBS Fund			19,000,000.00	19,000,000.00	19,000,000.00	0.110		0.110	1	
SYS900040	900040	UBS Fund			0.00	0.00	0.00	0.110		0.110	1	
SYS900041	900041	UBS Fund			0.00	0.00	0.00	0.110		0.110	1	
SYS900045	900045	UBS Fund		10/10/2012	0.00	0.00	0.00	0.110		0.110	1	
SYS900046	900046	UBS Fund		10/10/2012	0.00	0.00	0.00	0.110		0.110	1	
SYS900075	900075	LAIF-UMRWA			74,000.00	74,000.00	74,000.00	0.290		0.290	1	
		Subtotal and Average	207,942,394.63		201,903,684.95	201,903,684.95	201,903,684.95			0.164	1	
Money Market Funds												
SYS900139	900139	BNY Dreyfus Treasury Reserve F			0.00	0.00	0.00	0.001		0.001	1	
SYS910007	910007	BNY Dreyfus Treasury Reserve F			0.00	0.00	0.00	0.001		0.001	1	
SYS910008	910008	BNY Dreyfus Treasury Reserve F			259,344.66	259,344.66	259,344.66	0.001		0.001	1	
SYS900138	900138	ML Institutional Fund			0.00	0.00	0.00	0.110		0.110	1	
SYS900137	900137	UBS Fund			0.00	0.00	0.00	0.110		0.110	1	
		Subtotal and Average	259,344.66		259,344.66	259,344.66	259,344.66			0.001	1	
Guaranteed Investment Contracts												
SYS900124	900124	AIG Matched Funding Corp W01/0			0.00	0.00	0.00	5.150		5.150	1	
SYS900125	900125	FSA Water 2002 DSRF			0.00	0.00	0.00	4.730		4.730	1	
SYS900127	900127	FSA Water 2005A DSRF			12,000,000.00	12,000,000.00	12,000,000.00	4.855	AA-	4.855	1	
SYS900128	900128	FSA Wastewater 2008B DSRF			0.00	0.00	0.00	3.785		3.785	1	
		Subtotal and Average	12,000,000.00		12,000,000.00	12,000,000.00	12,000,000.00			4.855	1	
Medium Term Notes												
084664AD3	840228	Berkshire Hathaway		03/04/2009	5,000,000.00	5,110,950.00	5,088,100.00	4.625	AA+	4.200	197	10/15/2013
36962G4Q4	840237	General Electric Credit Corp		01/13/2011	2,000,000.00	2,012,628.00	2,003,300.00	1.875	AA+	1.811	168	09/16/2013
36962G4X9	840243	General Electric Credit Corp		02/07/2011	7,000,000.00	7,091,735.00	6,999,300.00	2.100	AA+	2.103	281	01/07/2014
36962G4X9	840244	General Electric Credit Corp		02/08/2011	5,000,000.00	5,065,525.00	4,997,150.00	2.100	AA+	2.120	281	01/07/2014
36962GK86	840269	General Electric Credit Corp		12/11/2012	400,000.00	423,293.20	428,416.00	4.750	AA+	0.684	532	09/15/2014
38259PAC6	84270	Google		12/21/2012	3,450,000.00	3,601,386.00	3,609,390.00	2.125	AA	0.751	1,144	05/19/2016
740816AC7	840240	Harvard University		01/25/2011	6,607,000.00	6,607,000.00	6,988,289.97	3.700	AAA	1.020	0	04/01/2013
44266RAA5	840245	Howard Hughes Medical Institut		03/07/2011	1,350,000.00	1,413,558.00	1,430,514.00	3.450	AAA	1.680	518	09/01/2014
44266RAA5	840246	Howard Hughes Medical Institut		03/07/2011	5,000,000.00	5,235,400.00	5,296,450.00	3.450	AAA	1.690	518	09/01/2014
44266RAA5	840247	Howard Hughes Medical Institut		03/09/2011	1,000,000.00	1,047,080.00	1,058,850.00	3.450	AAA	1.700	518	09/01/2014
44266RAA5	840268	Howard Hughes Medical Institut		12/04/2012	505,000.00	528,775.40	531,628.65	3.450	AAA	0.408	518	09/01/2014
459200GX3	840271	IBM Credit Corp		12/24/2012	5,000,000.00	5,186,365.00	5,195,200.00	1.950	AA-	0.840	1,208	07/22/2016

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Medium Term Notes												
59217GAE9	840257	Metropolitan Life		01/13/2012	5,045,000.00	5,100,918.78	5,113,107.50	2.000	AA-	1.311	284	01/10/2014
59217GAE9	840258	Metropolitan Life		01/18/2012	1,700,000.00	1,718,842.80	1,722,831.00	2.000	AA-	1.310	284	01/10/2014
59217EBW3	840259	Metropolitan Life		01/18/2012	1,540,000.00	1,623,244.70	1,661,321.20	5.125	AA-	1.750	435	06/10/2014
592179JG1	840260	Metropolitan Life		01/19/2012	5,000,000.00	5,004,705.00	5,257,300.00	5.125	AA-	0.891	9	04/10/2013
59217EBW3	840261	Metropolitan Life		01/20/2012	5,000,000.00	5,270,275.00	5,433,500.00	5.125	AA-	1.420	435	06/10/2014
59217GAC3	840264	Metropolitan Life		02/09/2012	100,000.00	103,931.60	103,125.00	2.500	AA-	1.612	911	09/29/2015
59217GAC3	840266	Metropolitan Life		02/14/2012	938,000.00	974,878.41	967,603.28	2.500	AA-	1.600	911	09/29/2015
592179JG1	840267	Metropolitan Life		02/27/2012	5,000,000.00	5,004,705.00	5,241,750.00	5.125	AA-	0.778	9	04/10/2013
64952WAX1	840241	New York Life		01/26/2011	1,275,000.00	1,286,504.33	1,292,034.00	1.850	AA+	1.374	256	12/13/2013
64953BAP3	840242	New York Life		01/26/2011	600,000.00	602,619.60	646,248.00	4.650	AA+	1.220	38	05/09/2013
64952WBE2	840255	New York Life		01/12/2012	1,000,000.00	1,013,299.00	1,002,300.00	1.300	AA+	1.222	651	01/12/2015
64952WBE2	840256	New York Life		01/13/2012	2,000,000.00	2,026,598.00	2,004,680.00	1.300	AA+	1.220	651	01/12/2015
64952WAW3	840262	New York Life		01/23/2012	5,000,000.00	5,255,225.00	5,273,400.00	3.000	AA+	1.292	763	05/04/2015
89233P5X0	840263	Toyota Motor Credit		01/23/2012	10,000,000.00	10,002,780.00	10,000,000.00	0.810	AA-	0.810	22	04/23/2013
		Subtotal and Average	89,345,788.60		86,510,000.00	88,312,222.82	89,345,788.60			1.448	362	
Federal Agency Issues - Coupon												
313381M69	301098	FHLB		01/16/2013	5,000,000.00	5,000,000.00	5,000,000.00	1.000	AA+	1.000	1,751	01/16/2018
3137EABJ7	201048	FHLMC		10/25/2010	25,793,000.00	26,150,903.67	27,737,792.20	3.500	AA+	0.568	58	05/29/2013
3137EABJ7	301050	FHLMC		10/25/2010	560,000.00	567,770.56	602,224.00	3.500	AA+	0.568	58	05/29/2013
3134G3W71	301091	FHLMC		11/26/2012	10,000,000.00	10,002,090.00	10,000,000.00	0.350	AA+	0.350	604	11/26/2014
3134G3FN5	301101	FHLMC		02/15/2013	2,000,000.00	2,003,252.00	2,005,160.00	1.000	AA+	0.922	1,184	06/28/2016
3137EADP1	301105	FHLMC		03/11/2013	10,000,000.00	9,929,600.00	9,929,600.00	0.875	AA+	1.020	1,801	03/07/2018
3136FPCF2	301039	FNMA		08/25/2010	1,100,000.00	1,153,457.80	1,099,450.00	2.000	AA+	2.010	1,060	02/25/2016
3136FPCF2	301040	FNMA		08/25/2010	1,700,000.00	1,782,616.60	1,699,150.00	2.000	AA+	2.010	1,060	02/25/2016
31398AXJ6	301051	FNMA		10/25/2010	1,403,000.00	1,446,485.99	1,483,911.01	2.500	AA+	0.850	409	05/15/2014
3136G05W7	301092	FNMA		11/27/2012	5,000,000.00	5,003,610.00	5,000,000.00	0.550	AA+	0.550	1,152	05/27/2016
3136G13H0	301093	FNMA		12/24/2012	5,000,000.00	4,997,595.00	5,000,000.00	0.550	AA+	0.550	1,180	06/24/2016
3135G0SR5	301094	FNMA		12/27/2012	5,000,000.00	4,993,705.00	5,000,000.00	0.560	AA+	0.560	1,183	06/27/2016
3135G0SR5	301095	FNMA		12/27/2012	10,000,000.00	9,987,410.00	10,000,000.00	0.560	AA+	0.560	1,183	06/27/2016
3136G16F1	301096	FNMA		12/27/2012	5,000,000.00	4,990,650.00	5,000,000.00	1.000	AA+	1.000	1,913	06/27/2018
3135G0MX8	301099	FNMA		02/07/2013	2,000,000.00	2,000,000.00	2,000,000.00	0.750	AA+	0.750	1,212	07/26/2016
3136G1DG1	301100	FNMA		02/27/2013	2,000,000.00	2,000,000.00	2,000,000.00	1.050	AA+	1.050	1,793	02/27/2018
3136G1DG1	301103	FNMA		02/27/2013	5,000,000.00	4,998,125.00	4,998,125.00	1.050	AA+	1.058	1,793	02/27/2018
3135G0NL3	301104	FNMA		03/05/2013	2,000,000.00	2,000,626.00	2,000,626.00	0.625	AA+	0.614	1,057	02/22/2016
		Subtotal and Average	102,093,737.68		98,556,000.00	99,007,897.62	100,556,038.21			0.721	958	

East Bay Municipal Utility Dis
Portfolio Management
Portfolio Details - Investments
March 31, 2013

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Municipal Bonds												
088006FX4	510051	Beverly Hills PFA		08/12/2010	1,660,000.00	1,663,834.60	1,660,000.00	1.888	AA+	1.888	61	06/01/2013
13063BB68	510093	California RANS		08/23/2012	15,000,000.00	15,076,200.00	15,255,150.00	2.500	SP1+	0.424	80	06/20/2013
212257BR9	510056	Contra Costa Pensions		04/29/2011	2,500,000.00	2,591,600.00	2,650,000.00	4.810	AA-	2.770	426	06/01/2014
212257BD0	510089	Contra Costa Pensions		02/03/2012	335,000.00	354,845.40	367,210.25	6.250	AA-	1.996	426	06/01/2014
358232Q25	510092	Fresno Unified School District		08/01/2012	1,245,000.00	1,245,958.65	1,245,000.00	0.805	AA-	0.805	122	08/01/2013
446216FL2	510081	Huntington Beach PFA		09/28/2011	750,000.00	757,020.00	775,620.00	2.500	AA	0.711	153	09/01/2013
54515EDM3	510096	LA County Schools		02/28/2013	2,000,000.00	2,018,080.00	2,021,280.00	2.000	SP1+	0.183	182	09/30/2013
54515EDP6	510097	LA County Schools		02/28/2013	1,000,000.00	1,012,670.00	1,014,270.00	2.000	SP1+	0.294	274	12/31/2013
592663XL7	510077	Metropolitan Water District		08/25/2011	19,825,000.00	19,825,000.00	19,825,000.00	0.350	AAA	0.650	8,126	07/01/2035
592663XL7	510082	Metropolitan Water District		09/29/2011	4,000,000.00	4,000,000.00	4,000,000.00	0.350	AAA	0.650	8,126	07/01/2035
592663XL7	510083	Metropolitan Water District		10/17/2011	15,000,000.00	15,000,000.00	15,000,000.00	0.350	AAA	0.650	8,126	07/01/2035
592663XL7	510084	Metropolitan Water District		10/20/2011	6,400,000.00	6,400,000.00	6,400,000.00	0.350	AAA	0.650	8,126	07/01/2035
623040EZ1	510091	Mt San Antonio CCD		06/21/2012	1,610,000.00	1,673,675.50	1,708,789.60	3.750	AA	0.816	487	08/01/2014
650264SX3	510094	Newark Unified School District		12/20/2012	550,000.00	550,473.00	550,000.00	0.760	AA-	0.760	487	08/01/2014
650264SY1	510095	Newark Unified School District		12/20/2012	1,000,000.00	1,003,650.00	1,000,000.00	0.990	AA-	0.990	852	08/01/2015
835574BN3	510060	Sonoma County POB		05/18/2011	1,230,000.00	1,252,878.00	1,300,515.90	4.330	AA-	2.000	244	12/01/2013
91412GPW9	510098	University of California		03/14/2013	5,000,000.00	4,970,850.00	5,000,000.00	0.392	AA	0.392	774	05/15/2015
91412GPX7	510099	University of California		03/14/2013	2,000,000.00	1,990,100.00	2,000,000.00	0.659	AA	0.659	1,140	05/15/2016
91412GPY5	510100	University of California		03/14/2013	2,000,000.00	1,999,280.00	2,000,000.00	0.966	AA	0.966	1,505	05/15/2017
		Subtotal and Average	79,998,642.20		83,105,000.00	83,386,115.15	83,772,835.75			0.715	4,565	
		Total and Average	502,584,907.77		493,279,029.61	495,814,265.20	498,782,692.17			0.716	1,029	

East Bay Municipal Utility Dis
Portfolio Management
Portfolio Details - Cash
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
		Average Balance	0.00	Accrued Interest at Purchase		26,598.61	26,598.61				0
				Subtotal		26,598.61	26,598.61				
		Total Cash and Investmentss	502,584,907.77		493,279,029.61	495,840,863.81	498,809,290.78			0.716	1,029

QUARTERLY INVESTMENT TRANSACTIONS FOR THE
Three Months Ending March 31, 2013

Attachment B

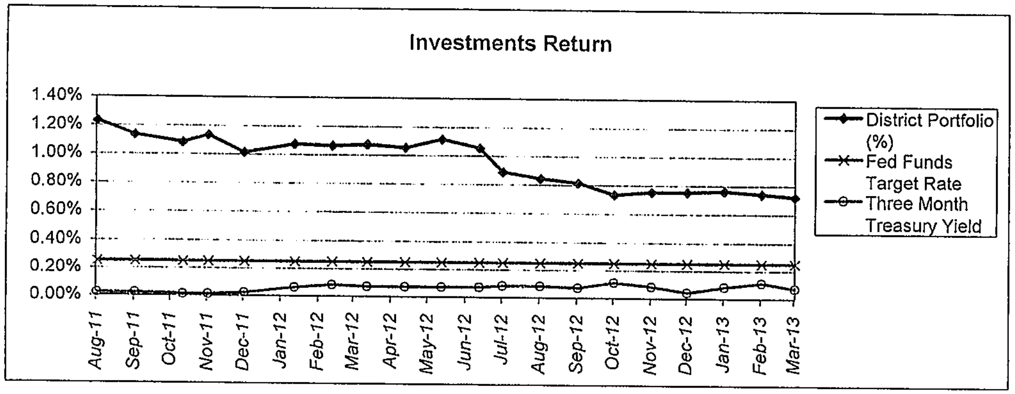
Investment Date	Face Amount	Invested Amount	Security	Security Type	Maturity Date	Earnings	Yield
Water System							
1/15/2013	$10,000,000	$10,000,000	FHLB	0.375% Note	1/15/2015	$75,000	0.38%
1/16/2013	$5,000,000	$5,000,000	FHLB	1.00% Note	1/16/2018	$250,000	1.00%
2/27/2013	$2,000,000	$2,000,000	FNMA	1.05% Note	2/27/2018	$105,000	1.05%
2/27/2013	$2,000,000	$2,000,458	FNMA	0.75% Note	7/26/2016	$52,041	0.75%
2/27/2013	$5,000,000	$4,998,125	FNMA	1.05% Note	2/27/2018	$262,500	1.06%
3/11/2013	$10,000,000	$9,930,572	FHLMC	0.875% Note	3/7/2018	$436,527	1.02%
3/14/2013	$5,000,000	$5,000,000	University of California	0.392% Notes	5/15/2015	$42,556	0.39%
3/14/2013	$2,000,000	$2,000,000	University of California	0.966% Note	5/15/2017	$80,588	0.97%
Wastewater System							
2/15/2013	$2,000,000	$2,007,771	FHLMC	1.00% Note	6/28/2016	$67,388	0.92%
2/28/2013	$2,000,000	$2,021,280	Los Angeles County Schools	2.00% Note	9/30/2013	$23,452	0.18%
2/28/2013	$1,000,000	$1,014,270	Los Angeles County Schools	2.00% Note	12/31/2013	$16,767	0.29%
3/5/2013	$2,000,000	$2,001,077	FNMA	0.625% Note	2/22/2016	$37,048	0.61%
3/14/2013	$2,000,000	$2,000,000	University of California	0.659% Note	5/15/2016	$41,797	0.66%

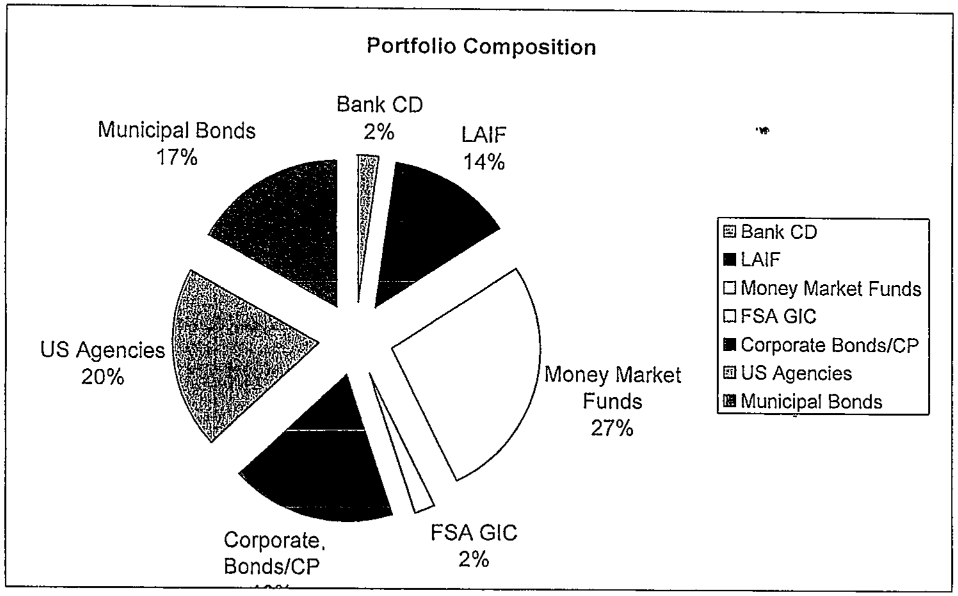
Eric L. Sandler, Director of Finance

Attachment C

Yield and Composition of Investment Portfolio

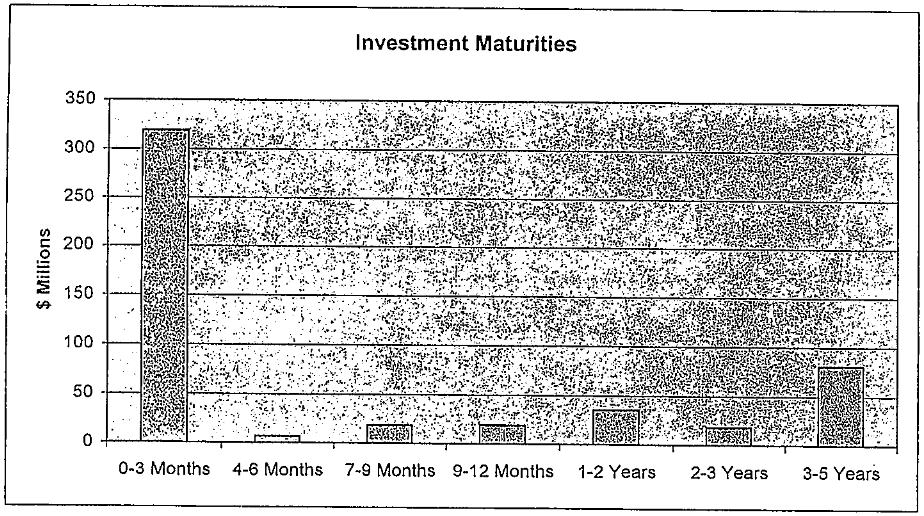
(As of March 31, 2013)

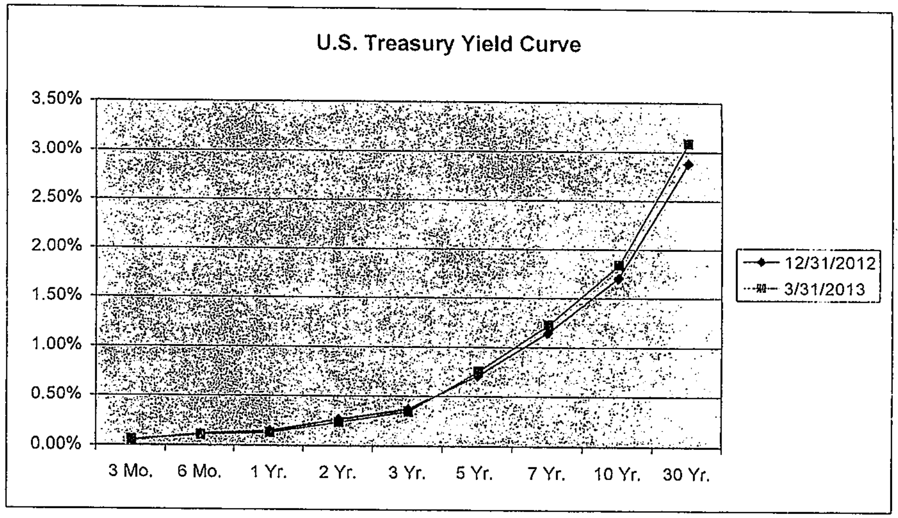




Credit Allocations (Based on S&P Ratings)	
US Agencies (Aaa/AA+)	20%
AAA	31%
AA	21%
A	12%
Not Rated	16%
Total	100%

AAA Includes corporate and municipal securities, AAAm rated money market funds
AA Includes corporate and municipal securities and FSA GIC
A Includes corporate and municipal securities and money market fund
Non Rated Includes investments in LAIF and bank certificates of deposit





Projected Cash Flow (in $Millions)

Month End	Investment Maturities	Projected Receipts	Projected Disbursements	Reinvestments of Investment Maturities	Projected Cash & Investments
Water System					
Feb-13					349.9
Mar-13		40.8	48.3		342.4
Apr-13	26.7	46.8	45.0	26.7	344.2
May-13		87.4	100.0		331.6
Jun-13	17.6	47.5	71.0	17.6	308.1
Jul-13		45.5	45.6		308.0
Aug-13	1.7	54.2	55.0	1.7	307.2
Sep-13	2.0	41.0	45.0	2.0	303.2
Wastewater System					
Feb-13					77.0
Mar-13		7.1	11.9		72.2
Apr-13		17.1	7.0		82.3
May-13	0.8	21.7	23.7	0.8	80.3
Jun-13		8.0	9.6		78.7
Jul-13		7.1	7.9		77.9
Aug-13		6.3	7.6		76.6
Sep-13	2.8	5.2	8.7	2.8	73.1

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: April 18, 2013

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager ARC

FROM: Eric L. Sandler, Director of Finance

SUBJECT: Quarterly Payroll, Disbursement and Real Estate Summary Reports for the Water and Wastewater Systems for Quarter Ended March 31, 2013.

SUMMARY

File the March 31, 2013 quarterly payroll, disbursement and real estate reports for the Water and Wastewater systems with the Board. These reports will be reviewed with the Finance/Administration Committee on April 23, 2013.

DISCUSSION

As directed by Resolutions No. 32834-94 and 32837-94, attached is a record of the payment of demands and real estate transactions covering the quarter January through March 2013.

ES:SK:ts

Attachments

I:\SEC\04-23-13 Fin/Adm Ctte\ FIN - Ctte Item Qtrly Payroll, Disbursement & Real Estate Summ Rpts 042313.doc

EAST BAY MUNICIPAL UTILITY DISTRICT
QUARTERLY PAYROLL SUMMARY REPORT

PAYROLL SUMMARY
(RESOLUTION NO. 32834-94)

	January 2013		February 2013		March 2013		QUARTERLY TOTALS	
District Payments	WSG	WWG	WSG	WWG	WSG	WWG	WSG	WWG
Gross Pay	$ 11,598,824	$ 2,188,961	$ 10,619,362	$ 1,972,495	* $ 15,891,643	$ 3,009,397	$ 38,109,829	$ 7,170,853
Retirement	$ 3,941,901	$ 747,996	$ 3,919,624	$ 744,631	* $ 5,871,262	$ 1,110,559	$ 13,732,787	$ 2,603,186
FICA	$ 883,224	$ 166,792	$ 808,450	$ 150,236	* $ 1,209,695	$ 229,142	$ 2,901,369	$ 546,170
Kaiser	$ 1,352,047	$ 253,098	$ 1,374,860	$ 260,969	$ 1,358,709	$ 254,397	$ 4,085,616	$ 768,464
Health-Net	$ 393,346	$ 48,109	$ 388,510	$ 48,109	$ 390,073	$ 45,545	$ 1,171,929	$ 141,763
Blue Cross	$ 239,309	$ 44,432	$ 242,562	$ 44,016	$ 232,535	$ 40,560	$ 714,406	$ 129,008
VSP	$ 26,104	$ 4,599	$ 26,532	$ 4,713	$ 26,254	$ 4,590	$ 78,890	$ 13,903
Delta Dental	$ 224,861	$ 52,120	$ 236,019	$ 45,011	$ 216,301	$ 31,992	$ 677,181	$ 129,123
Life Insurance	$ 78,510	$ 14,940	$ 78,847	$ 15,596	$ 78,172	$ 15,062	$ 235,528	$ 45,597
LTD	$ 43,178	$ 8,017	$ 43,255	$ 8,114	$ 43,086	$ 8,014	$ 129,519	$ 24,145
TOTAL	$ 18,781,304	$ 3,529,063	$ 17,738,020	$ 3,293,890	$ 25,317,731	$ 4,749,259	$ 61,837,055	$ 11,572,212

DISBURSEMENT SUMMARY
(RESOLUTION NO. 32837-94)

	January 2013	February 2013	March 2013	QUARTERLY TOTALS
Voucher Payments	$ 18,157,450	** $ 33,738,692	$ 20,313,427	$ 72,209,569
Customer Refunds	$ 22,480	$ 87,139	$ 65,726	$ 175,345
Electronic payments	$ 224,892	$ 689,901	*** $ 6,927,484	$ 7,842,276
Pcard payments	$ 653,820	$ 828,462	$ 792,545	$ 2,274,827
TOTAL	$ 19,058,641	$ 35,344,194	$ 28,099,182	$ 82,502,017

NOTE: *** There were three payroll cycles in March 2013**

**** Includes a payment of $4.5 million from EBMUD to FRWA then another payment of $4.5 million from FRWA to SJ Louis**

***** Paid principal of $2.9 million & interest of $.6 million for Wastewater GO series F and Payment of $1.4 million of SWAP Collateral**

By:

Eric L. Sandler, Director of Finance

REAL ESTATE SERVICES QUARTERLY REPORT
January – March 2013

PROPERTY PURCHASES

OWNER	LOCATION	SIZE	TYPE	PROJECT/PURPOSE	AMOUNT PAID	DATE
None.						

PROPERTY DISPOSITIONS

APPLICANT	LOCATION	TYPE	PURPOSE	AMOUNT RECEIVED	DATE
Butler Amusements	Oakport	Short-Term Lease	Carnival	$23,664.00	2/25/13
T-Mobile	Madrone Reservoir	Lease	Telecom	$33,654.69	3/7/13

Approved by:

Stephen J. Boeri, Real Estate Services Manager

4/5/13
Date

Cc: Marina Hughes
Sandy Lindley