

To: Board of Directors
From: Norma J. Camacho, Interim CEO

Chief Executive Officer Bulletin Week of February 17 – 23, 2017

Board Executive Limitation Policy EL-7:

The Board Appointed Officers shall inform and support the Board in its work. Further, a BAO shall 1) inform the Board of relevant trends, anticipated adverse media coverage, or material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established and 2) report in a timely manner an actual or anticipated noncompliance with any policy of the Board.

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Results of Sale - Watersheds Certificates of Participation, Series 2017A

On February 14, 2017, the water district took advantage of a favorable low interest rate market and refinanced \$59.39 million of outstanding debt. The refinanced debt is called the Watersheds Refunding and Improvement Certificates of Participation (COPs), Series 2017A.

The debt proceeds will be used to refund the outstanding Series 2004A and 2007A COPs and pay costs of issuance. The pricing generated \$8.9 million in Net Present Value (NPV) savings, or 15% of refunded principal amount, of which \$8.5 million will be used to fund Watersheds capital projects in the Lower Peninsula, Guadalupe, West Valley, and Coyote flood control zones. The all-in True Interest Cost (TIC) of the Series 2017A COPs is 2.56% with a final maturity of February 1, 2030. The COPs are rated AA+ by Fitch Ratings and Aa1 by Moody's Investor Services. The transaction is scheduled to close on March 7, 2017.

The results of the sale are consistent with the projections provided in the December 13, 2016, board memo when the board approved this refunding transaction. The water district had projected NPV savings of between \$8.4 - \$10.3 million and all-in TIC of 2.26% - 2.71%. The difference in savings is a result of the slight increase in interest rates that has occurred in the last few months.

The successful pricing was led by the water district and the Senior Underwriter, Siebert Cisneros Shank & Co. LLC., a woman owned minority firm and supported by the Co-Manager, Fidelity Capital Market Services, for retail market access.

The team generated very strong investor demand which resulted in over 4 times over-subscription of the bonds offered, allowing the water district to generate the 15% NPV savings. The investor base included individual investors with orders ranging from \$5,000 to \$595,000 as well as institutional investors such as Nuveen Asset Management, Blackrock, State Farm Insurance Company and others with individual orders of up to \$36 million.

For further information, please contact Darin Taylor at (408) 630-3068.

Hsueh

Staff is to prepare for Chair signature, thank you letters to water retailers commending their efforts that enabled the county meeting 20% conservation measures R-17-0001

A proposed response has been provided to the board Chair on February 14, 2017.

For further information, please contact Garth Hall at (408) 630-2750.
