

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**BOND FINANCING PROGRAM**  
**Meeting Date: March 24, 2010**  
***Request for Initial Resolution***

Prepared by: *Samantha Russell*

<b>Applicant:</b> Marina Coast Water District	<b>Amount Requested:</b> \$340,000,000
<b>Project</b>	<b>Application No.:</b> 00831
<b>Location:</b> Monterey County	<b>Initial Resolution No.:</b> 10-02

**Summary.** Marina Coast Water District (MCWD) requests approval of an Initial Resolution for an amount not to exceed \$340,000,000 to finance the construction of a reverse osmosis desalination plant and a pump station and distribution pipeline for the product water. The Authority intends to write and present a technology review prior to the Final Resolution.

**Borrower.** MCWD was formed by a vote of the 766 registered voters of the then unincorporated city of Marina. In 1966, voters authorized the sale of water bonds totaling \$950,000 to acquire a privately owned water company serving the area. For its first 35 years of operation, the District was known as the Marina County Water District. But in 1994, its name was changed to Marina “Coast” Water District to avoid possible confusion of being an adjunct to the Monterey County government. The District is governed by a five-member Board of Directors who are elected by the voters to serve four-year terms. The current board consists of Kenneth K. Nishi (President), William Lee (Vice President) and Directors Thomas P. Moore, Howard Gustafson and Dan Burns.

**Legal Questionnaire.** Staff has reviewed MCWD’s responses to the questions contained in the Legal Status portion of the Application. MCWD had received citations for high levels of Coliform in the water distribution system. In each case MCWD worked to resolve the issue. Because each citation was previously resolved, no information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

**Project Description.** MCWD is acting as the water purveyor for the Monterey County Regional Water Supply Program (MCRWSP). The MCRWSP consists of a number of projects that when combined will serve the current and future needs of northern Monterey County. The program will be implemented in multiple phases. Phase 1 of the program consists of the Regional Desalination Project (RDP).

The RDP will consist of brackish source water wells owned and operated by the Monterey County Water Resources Agency to deliver brackish source water to a 10 million gallons per day reverse osmosis (RO) desalination plant owned and operated by MCWD to treat brackish source water extracted from the seawater-intruded aquifer. The desalination facilities will include a pretreatment system, the RO system, a post treatment system, clearwell tanks, brine disposal, and pipelines and pumping for delivery of water to existing distribution systems.

**Volume Cap Allocation.** MCWD anticipates applying to the Authority for volume cap allocation fourth quarter of 2010.

**Financing Details.** MCWD anticipates the issuance of negotiated tax exempt bonds.

**Financing Team.**

**Underwriter:** Hutchinson, Shockey, Erley & Co

**Bond Counsel:** Jones Hall, APLC

**Financial Advisor:** Bartle Wells

**Issuer's Counsel:** The Office of the Attorney General

**Staff Recommendation.** Staff recommends approval of Initial Resolution No. 10-02 for Marina Coast Water District for an amount not to exceed \$340,000,000.

*Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.*

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO  
FINANCE WATER FURNISHING FACILITIES FOR  
MARINA COAST WATER DISTRICT, AND/OR ITS AFFILIATES**

March 24, 2010

WHEREAS, the California Pollution Control Financing Authority (“Authority”), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (“Act”) to issue bonds for the purpose of defraying the cost of facilities for the furnishing of water, as described in Section 142(a)(4) of the Internal Revenue Code of 1986; and

WHEREAS, Marina Coast Water District, a county water district organized and existing under the laws of the State of California (the “Applicant”), has requested that the Authority assist in financing facilities for the production, treatment and distribution of water in northern Monterey County, including the construction of a regional desalination project, storage facilities, distribution facilities and equipment functionally related thereto (collectively, “Facilities”; and

WHEREAS, the Authority desires to encourage the Applicant to provide water supply facilities which will serve the public of the State of California; and

WHEREAS, the Applicant requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance such Facilities; and

WHEREAS, the Applicant expects to incur or pay from its own funds certain expenditures in connection with the Facilities prior to the issuance of indebtedness for the purpose of financing costs associated with the Facilities on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this Resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$340,000,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Applicant for its prior expenditures for the Facilities; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Facilities with proceeds of a subsequent borrowing;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. For purposes of this Resolution, an “Affiliate” of the Applicant means any person or

entity which meets the definition of “participating party” in the Act and controls, is controlled by, or is under common control with, the Applicant as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$340,000,000 principal amount of bonds of the Authority for the Facilities; including for the purpose of reimbursing to the Applicant costs incurred for the Facilities prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and the Applicant in connection with the Facilities. Each bond shall contain a statement to the following effect:

“Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or any local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond.”

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority has first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the proceeds thereof to the Applicant; (ii) all requisite governmental approvals have been obtained; (iii) a Final Resolution has been received from the Authority; and (iv) an allocation has been received from the California Debt Limit Allocation Committee.

Section 5. The Executive Director of the Authority is hereby directed to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Applicant by defraying the cost of the Facilities, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute “some other similar official action” towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and “official intent” within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended. It is also intended that this statement of “official action” or “official intent” by the Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6, this Resolution shall cease to be effective on March 24, 2013 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Applicant, accompanied by an explanation of the reason why the project has not proceeded prior to the date of the letter.