

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: February 22, 2011
Request for Amendment to Initial Resolution

Prepared by: *Samantha Russell*

Applicant:	Marina Coast Water District & Monterey County Water Resources Agency	Amount Requested:	\$415,000,000
		Application No.:	00831
Project		Initial Resolution No.:	10-02 approved
Location:	Marina (Monterey County)		3/24/10

Summary. Marina Coast Water District (“MCWD” or the “District”) and Monterey County Water Resources Agency (“MCWRA” or the “Agency”) request approval of an amendment to Initial Resolution 10-02 for an amount not to exceed \$415,000,000 to finance the construction of a reverse osmosis desalination plant and a pump station and distribution pipeline for the product water.

The Initial Resolution was approved on March 24, 2010 for an amount not to exceed \$340,000,000. MCWD is requesting an amendment to the initial resolution to add MCWRA as a co-applicant and increase the amount to \$415,000,000.

Borrower. MCWD was formed in 1958 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 elected by the voters to serve four-year terms. The current board consists of William Lee (President), Howard Gustafson, Dan Burns (Vice President), Jan Shriner and the fifth seat is currently vacant.

MCWRA was formed in 1947 by State law and was organized as a division of the Department of Public Works. In January of 1991, new legislation (SB 2580) changed the name of the Agency to its current name of Monterey County Water Resources Agency to more accurately reflect its powers and functions. In addition to the Agency's responsibility for flood plain management and emergency flood-related preparedness, the Agency has jurisdiction over matters pertaining to water within the entire Monterey County area. A nine-member Board of Directors (the “Board”) was appointed by the Monterey County Board of Supervisors (the “Supervisors”) to govern the regular affairs of the Agency while making recommendations to the Supervisors on all other matters. The Board began functioning in January of 1992. The current board consists of Jose Mendez, Silvio Bernardi, Bill Petrovic, Doug Smith, Ken Ekelund, Stephen P. Collins, Richard Morgantini, David Hart, and Richard Ortiz.

Legal Questionnaire. Staff has reviewed MCWD's responses to the questions contained in the Legal Status section of the Application. MCWD received citations in 2004 and 2006 for high levels of Coliform in the water distribution system. In each case MCWD worked to resolve the issue. The District conducted a staff refresher course on bacteriological sample collection procedures and routine sampling sites were reviewed and updated. The District also complied with public notification requirements received from the California Department of Health Services (now the California Department of Public Health). No civil penalties were levied for the citations. Each citation was previously resolved at the time of issue, and no information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Project Description. The Regional Desalination Project will consist of wells which are owned and operated by the MCWRA to deliver brackish source water to a 10 million gallons per day reverse osmosis (RO) desalination plant owned and operated by MCWD. The plant treats brackish source water which is 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. The project will deliver treated water for distribution by California-American Water Company, which operates a public water system serving customers on the Monterey Peninsula.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation in March 2010.

Financing Details. The Company 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:** Office of the Attorney General

Staff Recommendation. Staff recommends approval of an amendment to Initial Resolution No. 10-02 for Marina Coast Water District and Monterey County Water Resources Agency for an amount not to exceed \$415,000,000.

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

**AMENDMENT OF RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE WATER FURNISHING FACILITIES FOR MARINA COAST
WATER DISTRICT AND MONTEREY COUNTY WATER RESOURCES
AGENCY**

February 22, 2011

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, on March 24, 2010, the Marina Coast Water District, a county water district organized and existing under the laws of the State of California (“Marina Coast”), received initial approval of Marina Coast’s initial application, dated February 19, 2010 (“Initial Application”) for the Authority’s assistance in the amount of not to exceed \$340,000,000 for the purpose of 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 as described more particularly in the application on file with the Authority (the “Project”); and

WHEREAS, a portion of the Project is located in the jurisdiction of the Monterey County Water Resources Agency (“MCWRA,” and together with Marina Coast, the “Co-Applicants”), and MCWRA is responsible for providing financing for such portion of the Project; and

WHEREAS, to that end, MCWRA has requested that it be approved by the Authority as a co-applicant to the Initial Application; and

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

WHEREAS, the Co-Applicants require satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance the respective portions of the Project for which the Co-Applicants are responsible and have presented an estimate of the maximum cost of the Project as shown in “Exhibit A” attached hereto; and

WHEREAS, the Co-Applicants expect to incur or pay from their own respective funds certain expenditures in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, subject to meeting all of the conditions set forth in this Resolution, the Authority reasonably expects that debt obligations in an aggregate amount not expected to exceed \$415,000,000 will be issued by the Co-Applicants, and that certain of the proceeds of such debt obligations will be used to reimburse the Co-Applicants for their respective prior expenditures for the Project; 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 Project 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.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$415,000,000 principal amount of bonds of the Authority to provide financing for the Project; in each case including for the purpose of reimbursing to the Co-Applicants costs incurred for the Project 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 Co-Applicants in connection with the Project. 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 Co-Applicants; (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 Co-Applicants by defraying the cost of the Project, 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

Agenda Item 4.B.1.

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 February 22, 2014 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 Co-Applicants, accompanied by an explanation of the reason why the project has not proceeded prior to the date of the letter.

EXHIBIT A

NUMBER: 10-02

LOCATION: The desalination project will be constructed in the City of Marina in northern Monterey County, on approximately 10 acres of currently vacant parcel owned by MCWD, south of the Regional Treatment Plant of the Monterey Regional Water Pollution Control Agency (“MRWPCA”) and the Monterey Regional Environmental Park of the Monterey Regional Waste Management District (“MRWMD”).

The address for MRWPCA is 14811 Del Monte Blvd, Marina, CA 93933 and the address for MRWMD is 14201 Del Monte Blvd, Marina, CA 93933.

TYPE: 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.

AMOUNT: \$415,000,000