

NOTICE TO STATE WATER PROJECT CONTRACTORS**Date:** MAY 29 2012**Number:** 12-08

Subject: Central Valley Project Water System Revenue Bonds, Series AK, AL and AM Par Amount: Series AK \$36,370,000, Series AL \$105,875,000, Series AM \$183,960,000, Total \$326,205,000. Closing Dates: Series AK-March 13, 2012, Series AL-September 5, 2012, Series AM-March 5, 2013

From:


Mark W. Cowin, Director
 Department of Water Resources

Summary of Financing Results

The Department of Water Resources (DWR) issued Bond Series AK, AL, and AM to refund \$297.6 million of bonds outstanding for Series X, Y, Z, AA, and AC. DWR delivered Series AK on March 13, 2012 and will deliver Series AL on or about September 5, 2012 and Series AM on or about March 5, 2013 pursuant to a purchase agreement among the Department, the State Treasurer and the Underwriters executed on March 12, 2012. The delayed delivery of the Series AL and AM Bonds is necessary to achieve a current refunding of the Series X, Y, Z, AA and AC Refunded Bonds in accordance with IRS regulations.

The combined net present value savings achieved for all series was \$51.3 million, or 15.0 percent of refunded bonds. DWR entered the municipal market at a time of historically low interest rates and was able to take advantage of extremely low borrowing costs. The Series AK Bonds funded the takeout of approximately \$32.0 million of commercial paper that had been issued to fund State Water Projects. A summary of the financing results is provided in Table 1 below.

Table 1: Summary of Financing Results

	Series AK	Series AL	Series AM	Total
Delivery Date	3/13/2012	9/5/2012	3/5/2013	
Par Amount Refunded	\$ 8,355,000	\$ 121,945,000	\$ 211,840,000	\$ 342,140,000
Net Present Value Savings	\$ 887,688	\$ 18,733,987	\$ 31,679,204	\$ 51,300,879
Percentage Savings of Refunded Bonds	10.6%	15.4%	15.0%	15.0%
CP Refunded (Last maturity in 2035)	\$ 32,034,902	\$ -	\$ -	\$ 32,034,902
Average Coupon of Refunded Bonds	4.99%	4.98%	5.05%	5.03%
Average Life of Refunded Bonds	10.3	7.1	7.8	8.4
All-in True Interest Cost (TIC)	3.05%	2.33%	2.71%	2.57%

Summary of Cash Flow Savings

The significant savings DWR achieved on the financing will provide cash flow relief over the next 18 years. Below in Table 2 is a summary of yearly savings to the Department as a result of refunding each of the Bond Series X, Y, Z, AA, and AC by the new Series AK, AL, and AM.

Table 2: Summary of Savings Results
Series AK, AL & AM

	<u>Year</u>	<u>Annual Savings</u>
	12/1/12	587,515
	12/1/13	6,705,320
	12/1/14	4,727,556
	12/1/15	2,831,600
	12/1/16	3,982,770
	12/1/17	4,142,407
	12/1/18	3,696,544
	12/1/19	5,916,019
	12/1/20	3,506,639
	12/1/21	5,402,639
	12/1/22	6,838,389
	12/1/23	5,049,220
	12/1/24	4,044,900
	12/1/25	4,456,150
	12/1/26	449,000
	12/1/27	500,500
	12/1/28	413,500
	12/1/29	414,750
Total Savings	<u> </u>	<u>\$ 63,665,418</u>
Net Present Value Savings		<u>\$ 51,300,879</u>

If you have any questions, please contact Perla Netto-Brown, Chief of DWR's Division of Fiscal Services at (916) 653-9836.