

NOTICE TO STATE WATER PROJECT CONTRACTORS**Date:** JAN 23 2013**Number:** 13-03

Subject: Central Valley Project Water System Revenue Bonds, Series AN and AO
 Par Amount: Series AN \$ 49,525,000, Series AO \$317,505,000
 Closing Dates: September 27, 2012

From:



Mark W. Cowin, Director
 Department of Water Resources

Summary of Financing Results

The Department of Water Resources (DWR) issued Bond Series AN and AO to refund \$298.3 million of bonds outstanding for Series AC and AD. DWR delivered Series AN and AO on September 27, 2012 pursuant to a purchase agreement executed on September 19, 2012 among the Department, the State Treasurer and the Underwriters.

The \$49.5 million tax-exempt Series AN Bonds were issued to retire DWR's \$44.8 million outstanding commercial paper notes, and advance refund \$12.5 million of the outstanding Series AD Bonds. The Series AO bonds advance refunded \$285.8 million of Series AC and AD bonds on a taxable basis. The combined net present value savings achieved was \$26.5 million or 8.89 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. A summary of the financing results is provided in Table 1 below.

Table 1: Summary of Financing Results

	Series AN (Tax-Exempt)	Series AO (Taxable)	Total
Delivery Date	9/27/2012	9/27/2012	
Par Amount Refunded	\$ 12,550,000	\$ 285,790,000	\$ 298,340,000
Net Present Value Savings	\$ 1,312,027	\$ 25,221,589	\$ 26,533,616
Percentage Savings of Refunded Bonds	10.5%	8.8%	8.9%
CP Refunded (Last maturity in 2035)	\$ 44,807,069	\$ -	\$ 44,807,069
Average Coupon of Refunded Bonds	4.97%	4.99%	4.99%
Average Life of Refunded Bonds	9.3	9.2	9.2
All-in True Interest Cost (TIC)	2.98%	2.54%	2.63%

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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 the Bond Series AC and AD.

Table 2: Summary of Savings Results
Series AN and AO

Year	Annual Savings
12/1/12	\$ 1,162,784
12/1/13	7,470,875
12/1/14	7,470,875
12/1/15	1,480,875
12/1/16	936,260
12/1/17	1,089,892
12/1/18	1,363,897
12/1/19	1,265,931
12/1/20	1,161,140
12/1/21	1,305,504
12/1/22	1,279,308
12/1/23	659,029
12/1/24	666,299
12/1/25	673,532
12/1/26	681,702
12/1/27	1,115,689
12/1/28	182,447
12/1/29	66,450
Total Savings	<u>\$ 30,032,489</u>
Net Present Value Savings	<u>\$ 26,533,616</u>

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