

NOTICE TO STATE WATER PROJECT CONTRACTORS**Date:** DEC 11 2014**Number:** 14-11**Subject:** Central Valley Project Water System Revenue Bonds, Series AS and AT
Par Amount: Series AS \$645,795,000; Series AT \$149,245,000
Closing Dates: Series AS - October 30, 2014; Series AT – November 6, 2014**From:**

A handwritten signature in blue ink, appearing to read "Mark W. Cowin".

Mark W. Cowin, Director
Department of Water Resources**Summary of Financing Results**

On October 30, 2014, the Department of Water Resources (DWR) took advantage of low tax-exempt market interest rates and issued \$645.8 million fixed-rate Series AS bonds to refund \$689.8 million of outstanding Series AE, AF, AG, AH, AK and AN bonds through a negotiated sale. Strong investor demand for DWR's credit secured significant net present value savings of \$56 million representing 8.1% of the refunded bonds.

On November 6, 2014, DWR issued \$149.3 million Series AT Index Floating Rate bonds to take out \$139.5 million of outstanding commercial paper through a negotiated sale. The commercial paper was issued to fund \$127.3 million for the Water Systems project, \$7.8 million for the East Branch Enlargement project and \$4.4 million for the South Bay Aqueduct Enlargement project. The Series AT debt service costs are based on the SIFMA index plus a 0.30% spread and pay interest monthly. The transaction resulted in an initial interest rate of 0.34%. A summary of the financing results for both transactions is provided in Table 1 below.

NOTICE TO STATE WATER PROJECT CONTRACTORS

Table 1: Summary of Financing Results

	Series AS	Series AT
Delivery Date	10/30/2014	11/6/2014
Par Amount Refunded	\$689,780,000	N/A
Net Present Value Savings	\$ 55,975,356	N/A
Percentage Savings of Refunded Bonds	8.1%	N/A
Commercial Paper Refunded	N/A	\$139,465,021
Average Coupon of Refunded Bonds	4.97%	N/A
Average Life of Refunded Bonds (years)	11.3	N/A
True Interest Cost	2.73%	3.03%
All-in True Interest Cost (TIC)	2.73%	3.04%

State Water Contractors

Summary of Cash Flow Savings

The significant savings DWR achieved through the issuance of Bond Series AS on the financing will provide cash flow relief over the next 19 years. Below in Table 2 is a summary of yearly savings to the Department as a result of refunding the Bond Series AE, AF, AG, AH, AJ, AK and AN.

NOTICE TO STATE WATER PROJECT CONTRACTORS

Table 2: Summary of Savings Results, Bond Series AS

Year	Annual Savings
12/1/2014	\$ 2,938,812
12/1/2015	2,143,142
12/1/2016	2,143,142
12/1/2017	2,143,142
12/1/2018	3,113,142
12/1/2019	3,572,152
12/1/2020	4,124,502
12/1/2021	4,217,253
12/1/2022	4,355,103
12/1/2023	5,138,034
12/1/2024	5,086,928
12/1/2025	5,000,188
12/1/2026	5,925,113
12/1/2027	6,426,613
12/1/2028	6,618,150
12/1/2029	6,745,513
12/1/2030	193,375
12/1/2031	110,250
12/1/2032	110,250
Total Savings	<u>\$ 70,104,804</u>
Net Present Value Savings	<u>\$ 55,975,356</u>

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