

Metropolitan Water District of Salt Lake & Sandy
Finance Committee Packet Information
Last Update: April 14, 2010

Agenda Item: Discuss liquidity provider renewal status and schedule

Background: One of the components of the District's variable rate debt program is to have a liquidity provider in place. The current provider is JP Morgan. The term of the agreement with JP Morgan ends on May 13, 2010 and a replacement contract is needed. The Utah Water Finance Agency's financial advisor (Lewis, Young, Robertson, and Burningham) has reviewed options and obtained quotes from JP Morgan and other parties.

The most favorable proposal appears to be from Heleba Bank. The options include a one-year agreement for 80 basis points (0.80%) and a two-year agreement for 85 basis points (0.85%). Either option will include some up front legal costs incurred by the bank and others to prepare the necessary documents. These additional costs are estimated as follows:

- | | |
|--------------------------------------|----------|
| • Heleba bank domestic legal fees | \$40,000 |
| • Heleba bank foreign counsel fees | \$3000 |
| • Chapman and Cutler | \$9000 |
| • Lewis Young Robertson & Burningham | \$9000 |
| • Total fees | \$61,000 |

These fees equate to approximately 6.06 basis points on approximately \$103,900,000.

Therefore, the effective rate for the one-year option is estimated at 86.06 basis points and the effective rate for the two-year option is estimated at 91.06 basis points. Either option is favorable when compared to current rates (130 basis points) or when compared to forecasted rates that estimated the liquidity costs would be at least 100 basis points at this point in time.

As of this writing, the draft agreement that will be considered for approval on April 19, 2010 has not been received. It will be forwarded via email as soon as it is available.

Recommendation: The Finance Committee and staff have reviewed this option and are recommending a change of liquidity providers to Heleba Bank with a one year term.

March 25, 2010

David Robertson & Scott Robertson
on behalf of the
Metropolitan Water District of
Salt Lake & Sandy, Utah
3430 East Danish Road
Cottonwood Heights, Utah 84093

**Re: Request for Proposal for Replacement Standby Bond Purchase Agreement
Utah Water Finance Agency Series B Program Revenue Bonds
(Variable Rate Demand Bonds) Series B-3 and Series B-5 (the "Bonds")**

Dear David and Scott:

Landesbank Hessen-Thüringen Girozentrale ("Helaba", or the "Bank") welcomes this opportunity to work with the Metropolitan Water District of Salt Lake & Sandy, Utah (the "District", or the "Obligor") and is pleased to present you with a proposal for a Standby Bond Purchase Agreement ("SBPA", or the "Facility") to provide liquidity support up to approximately \$75.2 million (plus interest) of unenhanced Series B-3 and approximately \$28.7 million (plus interest) of unenhanced Series B-5 Bonds, for the account of the District.


We propose the following terms and conditions for our participation in the above-described transaction. The terms and conditions outlined below are subject to satisfactory due diligence and documentation and should not be construed as a commitment to provide financing at this time. In the event our proposal does not meet your needs, we would be pleased to consider revisions that may be suggested by the District or its advisors.


If you have further questions, please contact Roger F. Johnson, Vice President at (212) 703-5308, Samuel Bridges, Senior Vice President at (212) 703-5309 or Patricia A. South, Senior Vice President and Manager, at (212) 703-5310.

This proposal, if not earlier accepted, will expire on April 16, 2010 and, if accepted, the transaction must close by May 30, 2010, unless extended in writing. Please let us know when you wish to proceed. We will then seek final credit approval and negotiate final terms and conditions.

Sincerely,

LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE,
New York Branch

By: 
Patricia A. South
Senior Vice President & Manager


Samuel W. Bridges
Senior Vice President

Please return an executed copy of this letter. Check the proposal option selected (mark with X):

Facility Term	SBPA Annual Facility Fee (bppa)	Accepted Term & Pricing
1 Year	80.0	X
2 Years	85.0	

Accepted by: METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY, UTAH

By: *Michael R. Lutz*
Title: *General Manager*
Date: *April 7, 2010*

LIQUIDITY FACILITY: Series B-3 and Series B-5 Unenhanced Bonds

Metropolitan Water District of Salt Lake & Sandy, Utah

Name of Bank: Landesbank Hessen-Thüringen Girozentrale, acting through its
New York Branch (“Helaba” or the “Bank”)

Helaba’s Credit Rating:

<u>Rating Agency:</u>	<u>Long-term Rating</u>	<u>Short-term Rating</u>	<u>Outlook</u>	<u>Last Rating Change /Affirmation</u>
Fitch	A+	F1+	Stable	December 1, 2009
Moody’s	Aa2	P-1	Stable	November 19, 2009
S&P	A	A-1	Negative	August 4, 2009

Fees are to be paid quarterly in arrears.

Facility Term	SBPA Annual Facility Fee (bppa)
1 Year	80.0
2 Years	85.0

Drawing Fee for Bank Purchases	\$500.00 per draw	
Base Rate	The greater of Helaba’s Prime Rate and the overnight Fed Funds Rate plus 1.0%	
Bank Interest Rate	Period	
	Rate	
	Day 1 through day 30	Base Rate + 1.0%
	Day 31 through day 60	Base Rate + 2.0%
	Day 61 through day 90	Base Rate + 3.0%
	Day 91 and thereafter	Higher of Base Rate + 3.0% or 12.0%
Default Rate	To equal the higher of Base Rate plus 4.0% or 12%	

Principal Repayment: Amounts advanced under the Facility shall be due and payable on the date provided, however, if on such date no Event of Default has occurred and is continuing the amount advanced used to pay the principal of unremarketed bonds may be repaid in semi-annual installments with the first installment starting on the first anniversary of the date the funds are advanced, and continue so that such amounts are repaid in full no later than the fifth anniversary of the date funds advanced. Helaba is willing to discuss other arrangements at the Obligor’s request.

Bank Legal Fees and Expenses:

Domestic Counsel: Helaba intends to use the following firm as its domestic council.

Paul M. Smith
Kutak Rock LLP
Peachtree Center South Tower
225 Peachtree St. N.E., Ste 2100
Atlanta, GA 30303-1731

Phone: 404-222-4600
Fax: 404-222-4654

Domestic Counsel Fees Plus Disbursements – are estimated at \$30,000 for the first transaction and \$10,000 for the second transaction; fees are capped at \$40,000. *Foreign Counsel Fees* - \$1,500 per opinion. Fees and expenses actually incurred by Helaba, subject to the foregoing limits, shall be paid by the Obligor regardless of whether the transaction is successfully closed.

Renewal Procedure: Facility term may be extended at the written request of the Obligor and in the sole discretion of Helaba. For the one-year Facility, the Obligor’s renewal request may be made no earlier than 90 days prior to the Facility termination date and Helaba must respond within 30 days of receipt of the renewal request. In no event shall the facility be renewed prior to 60 days of the expiration date. For the two-year Facility, the Obligor’s renewal request may be made no earlier than 150 days prior to the Facility termination date and Helaba must respond within 60 days of receipt of the renewal request

Obligor Fee Adjustment:

Should the credit rating of the unenhanced long-term debt of the Obligor be downgraded then, effective the day of the downgrade, the Annual Facility Fee shall be increased by the amounts per the table below:

<u>Obligor Rating</u>	<u>Annual Facility Fee Increase</u>
AA-/Aa3/AA-	.00%
A+/A1/A+	.10%
A/A2/A	.15%
A-/A3/A-	.20%
BBB+/Baa1/BBB+	.25%
BBB/Baa2/BBB	.25%
BBB-/Baa3/BBB-	.50%
Below BBB-/Below Baa3/Below BBB-	1.00%
Withdrawn or suspended	2.00%

The rating is based on the lower of the ratings of Fitch, Moody’s and S&P. Fee increases are cumulative.

Interest Payment: Interest accruing at the Bank Interest Rate shall be payable semi-annually in arrears commencing with the first business day of each January and July, commencing on the first such day following the date funds are advanced under the Facility (but in no event will the payment cycle differ from the cycle provided for payments to bond holders). All interest shall be calculated on the basis of a 365 day year and the actual number of days elapsed.

Bank Bond CUSIP and Rating.

Upon the request of the Bank, the Obligor, at its expense, agrees that within not more than thirty (30) Business Days following its receipt of such request, it (i) shall obtain from at least one of Fitch, Moody's or S&P (to the extent then rating the Bonds), a rating specifically assigned to the Bank Bonds, (ii) shall obtain a separate CUSIP number for the Bank Bonds, and (iii) shall ensure that the CUSIP number and the rating assigned to such Bank Bonds are available electronically to the Bank.

Other Fees: Amendment/Transfer Fee: \$1,000.00 plus expenses
Extension/Renewal Fee: None
Helaba Out-of-Pocket Expenses: capped at \$5,000, if incurred

Termination Fee: Termination by the Obligor shall be permitted at anytime. However, if the Facility is terminated within six-months of the closing date six-months Facility Fee less any amount already paid must be paid in full at termination.

Interest Recapture: The interest rate shall not exceed the maximum lawful rate and excess interest shall be subject to recapture pursuant to a standard "clawback" provision.

Legal Counsel: The Bank intends to use a nationally recognized firm, which is acceptable to both Helaba and the Board.

Conditions Funding: Helaba shall receive a conforming request for any advance.

Closing: Normal and customary closing conditions for transactions of this nature, including but not limited to:

- o execution and delivery of the Facility and the related documentation
- o appropriate certification from the Obligor including no default and incumbency certification
- o customary opinions of counsel from counsel to all transaction participants
- o payment of fees and expenses due at closing
- o completion of due diligence and satisfactory documentation.

Representations and Warranties:

Those customary for transactions of this nature, including but not limited to:

- o due authorization and execution, validity and enforceability of the Facility
- o pending litigation
- o accuracy of disclosure documents, financial statements and other information
- o no sovereign immunity
- o compliance with usury and other laws

- noncontravention with other documents
- necessary permits and approvals obtained
- nature of Obligor's obligations to the Bank and the securities therefore
- due organization and existence of the Obligor
- Bank Bonds will be transferred to the Bank free and clear of all liens, security interests and claims of any person other than the Bank
- ERISA compliance
- compliance with environmental laws

Covenants:

Those customary for transactions of this nature, including but not limited to:

- compliance with applicable law and related documents
- information reporting
- access to records
- further assurance
- payment of obligations under Facility Agreement
- continued existence
- maintain assets and insurance
- maintain trustee, issuing and paying agent, dealer, remarketing agent, and not replace without Helaba's consent
- negative pledge/limitation on liens/limitation on additional debt
- limit document amendments
- payment of taxes and liabilities
- standard yield protection and withholding indemnification
- to replace the Facility upon termination
- ERISA compliance
- compliance with environmental laws

Events of Default:

Those customary for transactions of this nature, including but not limited to:

- default in payments to Helaba or on the bonds/notes
- false representation or warranty
- covenant default
- cross default to related documentation
- cross default to material debt and judgments
- bankruptcy or insolvency of the Obligor or moratorium on payment of Obligor's debt
- invalidity of the Facility or the related documents or the Obligor's obligations thereunder or the Obligor contests or denies any such obligations or parity obligations
- downgrade of the Obligor's debt obligations below BBB-/Baa3/BBB- by Fitch, Moody's or S&P, respectively
- any Termination Event

Termination Events:

Termination events customary for transactions of this nature as outlined in the S&P and Moody's published guidelines for credit enhancement and/or liquidity supported variable rate securities transactions, including

- default in payment on the Bonds;
- cross default;

- bankruptcy or insolvency of the Obligor or moratorium on payment of Obligor's debt;
- invalidity of the Facility or the related documents or the Obligor's obligations thereunder or the Obligor contests or denies any such obligations or parity obligations;
- downgrade of the Obligor's debt obligations rating to below BBB-/Baa3/BBB- by Fitch, Moody's or S&P, respectively

Remedies: Those customary for transactions of this nature, including termination of the Facility, acceleration of amounts owed under the Facility and any other available remedies at law, in equity or by contract.

Indemnification: Obligor shall indemnify Helaba for all circumstances except those caused by the gross negligence or willful misconduct of Helaba. Obligor shall also protect Helaba against increased costs, withholding taxes and changes in capital adequacy requirements.

Acceleration: Yes

Governing Law: New York, for Helaba's obligations.

Waiver of Jury Trial: Yes.

Participation: Helaba shall have the right to sell risk participations in the Facility so long as Helaba remains liable for the obligation to advance funds under the Facility.

Proposal Term: This proposal is not a commitment. It is offered as indicative terms on which Helaba is willing to seek final credit approval to provide the Facility. Helaba's participation in this transaction is subject to the foregoing terms, completion of appropriate due diligence and satisfactory documentation.