

**MONTEREY COUNTY BOARD OF SUPERVISORS
OF THE MONTEREY COUNTY WATER RESOURCES AGENCY**

MEETING: March 29, 2011	AGENDA NO.:
SUBJECT: Ratify the selection of Citigroup Global Markets, Inc. as the professional underwriter for the Regional Desalination Project financing plan; direct the underwriter to proceed with their work and report to the Office of the Auditor-Controller, on behalf of the Monterey County Water Resources Agency.	
DEPARTMENT: Office of the Auditor-Controller	

RECOMMENDATION:

It is recommended that the Board of Supervisors of the Monterey County Water Resources Agency ratify the selection of Citigroup Global Markets, Inc. as professional underwriter for the Regional Desalination Project financing plan; request the underwriter to proceed with their work and report to the Office of the Auditor-Controller, on behalf of the Monterey County Water Resources Agency.

SUMMARY:

County of Monterey officials are ex-officio officers of the Water Resources Agency. The Monterey County Public Finance Policy authorizes the County Debt Manager to select financing professionals to include underwriters. However, due to the sensitivity and economic ramifications associated with the regional desalination project financing plan, the Auditor-Controller requests that the Board of Supervisors ratify Citigroup Global Markets, Inc. as professional underwriter for the Regional Desalination Project finance plan. It should be noted that if the financing fails to close, no payment is due or payable to the underwriter. The Scope of Work of the underwriter is attached.

DISCUSSION:

Section 5 of the County of Monterey Public Finance Policy adopted by the Board of Supervisors dated April 21, 2008 gives the County Debt Manager the authority to select external finance professionals needed to issue debt, including disclosure counsel, financial advisors, feasibility consultants, underwriters, underwriter's counsel, special tax counsel, ratings agency analysts, credit enhancement providers, arbitrage consultants, trustee, registrars, paying agents, fiscal agents, and investment advisors. The authority granted eliminates substantial delays in time-sensitive financing transactions. The Board ratifies those selections with passage of resolutions authorizing debt issuance. The timeliness of that approval is appropriate because generally external financial professionals are paid from debt proceeds only after the transactions are closed. Should the financing fail to close, no payment is due or payable. The County Debt Manager also acts as the ex-officio Debt Manager for the Water Resources Agency.

Because of the sensitivity and economic ramifications associated with the Regional Desalination Project financing plan, the Auditor-Controller requests that the Board of Supervisors ratify Citigroup Global Markets, Inc. as professional underwriter for the Regional Desalination Project financing plan. When appropriate, an agreement included in the Request for Proposal will be

sent to the Board of Supervisors of the Water Resources Agency for approval and signature by the Chair of the Board.

The primary function of the underwriter in a bond transaction is to purchase securities from a government issuer and resell them to investors. A complete listing of functions is included in the Scope of Work.

The Auditor-Controller – County Debt Manager, taking into consideration anticipated public scrutiny, along with political and economic implications chose to prepare and issue Request for Proposal #10281, seeking an underwriting firm to represent the County’s interest in developing a financing plan acceptable to this Board while striving to limit ratepayer costs.

The RFP closed on January 25, 2011. The selection committee then reviewed the proposals, selecting Citigroup Global Markets, Inc., based on experience with water projects and particularly desalination projects, unrated bond offerings, financial strength, available capital for underwritings, financing structure alternatives proposed, and total gross spread (cost of issuance).

OTHER AGENCY INVOLVEMENT:

Monterey County Water Resources Agency and representatives from County Counsel and Contracts/Purchasing have been involved in the review of the financing and concur with recommended actions. The County Administrative Office has reviewed this report.

FINANCING:

Underwriters of bond transactions are only paid upon successful sale of the bonds. In this instance, Citigroup Global Markets, Inc. quoted a fee schedule of \$5.996 per \$1,000 of bonds issued if the transaction is unrated and \$4.982 if a rating can be obtained. The underwriter is working to achieve a rating to reduce costs to the affected ratepayers. The par issuance amount will be determined as a part of the financing proposal forthcoming, once a mutually agreeable financing plan has been accepted by the WPA participants.

Prepared by:

Approved by:

Al Friedrich
Assistant Auditor-Controller

Michael J. Miller
Auditor-Controller

March 25, 2011

Attachment – Scope of Work