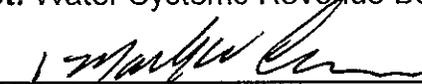


**NOTICE TO STATE WATER PROJECT CONTRACTORS****Number:** 11-02**Date:** JAN 26 2011**Subject:** Water Systems Revenue Bonds, Series AH**From:** 
Director, DEPARTMENT OF WATER RESOURCES

Department of Water Resources

Central Valley Project Water System Revenue Bonds, Series AH and AI

Par Amount: Series AH \$97,675,000, Series AI \$92,275,000

Closing Date: Series AH November 9, 2010, Series AI September 7, 2011

Summary of Financing Results

The Department of Water Resources (DWR) issued Bond Series AH and AI to refund \$132.9 million of bonds outstanding for Series W, X, and AC. DWR will deliver Series AI on or about September 7, 2011 pursuant to a purchase agreement between DWR, the State Treasurer and the Underwriters executed on November 1, 2010. The delayed delivery of the Series AI Bonds is necessary to achieve a current refunding of the Series W Refunded Bonds in accordance with IRS regulations. The Series W Bonds will be callable on December 1, 2011. The combined net present value savings achieved for both series was \$16.3 million or 12.3 percent. 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 AH Bonds also funded the takeout of approximately \$71.5 million of commercial paper that had been issued to fund various water projects. A summary of the financing results is provided in Table 1 attached.

Summary of Cash Flow Savings

The significant savings DWR achieved on the financing will provide cash flow relief over the next 20 years. Table 2, attached, is a summary of yearly savings to DWR as a result of refunding each of the Bond Series W, X, and AC by the new Series AH and AI.

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

Attachment

Notice to State Water Project Contractors

Attachment

Table 1: Summary of Financing Results

Par Amount Refunded	\$ 132,985,000
Average Coupon of Refunded Bonds	5.21%
Average Life of Refunded Bonds	9.628
CP Refunded (Last Maturity in year 2035)	\$ 71,538,216
Net Present Value Savings	\$ 16,329,590
Percentage Savings of Refunded bonds	12.28%
All-in True Interest Cost (TIC)	3.14%

Table 2: Summary of Savings Results
Series AH & AI

Year	Annual Savings
12/1/10	\$ 124,466
12/1/11	344,355
12/1/12	993,381
12/1/13	993,781
12/1/14	1,014,182
12/1/15	1,290,320
12/1/16	1,288,695
12/1/17	1,293,845
12/1/18	1,294,808
12/1/19	1,292,020
12/1/20	1,290,038
12/1/21	1,276,738
12/1/22	1,275,050
12/1/23	1,296,575
12/1/24	1,299,231
12/1/25	1,303,425
12/1/26	1,299,732
12/1/27	1,303,388
12/1/28	1,296,606
12/1/29	1,297,313
Total Savings	<u>\$ 22,867,949</u>
Net Present Value Savings	<u>\$ 16,329,590</u>