

Recommendation Rationale

- Maintain existing index floating structure
 - This structure does not require bank exposure, and instead involves selling the bonds to investors for a period of time that is typically inside of 5 years. The variable rate exposure of the CUS remains below the City's maximum policy target of 20%.
 - See Attachment 1 for savings analysis
- Establish a 4-year term (staggered term from the 3-year and 5-year tranches just completed)
 - Staggered maturities reduce the remarketing risk at the end of the term.
- Select RBC Capital Markets Corporation to remarket the bonds
 - Allowing RBC to remarket bonds will enable the City to end original agreement before March 2013 expiration and go out to market while rates are still favorable.

Table 1: CUS Liquidity Summary

Liquidity Type	Series	Size (\$ millions)	Bank	Expiration	Requires Bank Letter of Credit
Commercial Paper	B-1	250	JPMorgan Chase	12/16/2013	Y
	B-2	75	Wells Fargo	12/14/2012	
	B-3	75	Bank of Tokyo-Mitsubishi	1/20/2015	
	B-4	100	Barclay's	7/15/2013	
	B-5	100	BBVA	5/27/2015	
	B-6	100	Citibank	7/15/2013	
Total		700			
Variable Rate Demand Bonds	2004B-2	100	State Street	4/5/2013	Y
	2004B-3	75	Sumitomo	4/3/2015	
	2004B-4	75	JPMorgan Chase	4/6/2013	
	2004B-5	100	Lloyd's	4/6/2013	
	2004B-6	78.33	Sumitomo	4/3/2015	
	2008D-1	132.01	JPMorgan Chase	12/31/2012	
Total		560.34			
Subtotal		1,260.34			
SIFMA Index Floater	2010 B-1	200	RBC	3/22/2013	N
	2010 B-2	49.08	RBC	3/23/2013	
	2012A	125	Loop Capital Markets	6/1/2015	
	2012B	100	Wells Fargo Securities	6/1/2017	
Total		474.08			
TOTAL		1,734.42	18.5%		*
Total Outstanding Debt		5,966.92			

* The percentage of variable rate exposure includes \$902 million of hedged debt and \$70.4 million of commercial paper. The calculation does not include the entire \$700 million commercial paper program.

Attachment 1: Cost Comparison

SUMMARY: As shown below, a 4-year Index Floater will save the City approximately \$1.0 - 1.2 million over maintaining the current structure at the higher spread.

Savings from Refunding the CUS 2010B SIFMA Index Notes

Call Date 3/22/2013
 Par Amount: 249,075,000
 Close Date: 7/27/2012
 # of Months 8 months
 Estimated Savings: \$1.0- \$1.2 million

	<u>Expedited Call Date</u> <u>@ 8 Months (60 bps)</u>	<u>@ 8 Months (65 bps)</u>	<u>@ 8 Months (70 bps)</u>
Current Spread	1.30%	1.30%	1.30%
Repriced Spread	0.60%	0.65%	0.70%
Rate Savings in bps	0.70%	0.65%	0.60%
Rate Savings \$\$	1,162,350	1,079,325	996,300

Notes:

Please note that the placement fee that we will pay the underwriters is not included in this comparison because the Combined Utility System will be required to pay this fee in FY13 regardless of the execution date (July 2012 or March 2013).