

COPY OF FINAL RESOLUTION
- PROCEEDING -

LOCAL WATER UTILITIES ADMINISTRATION

BOARD OF TRUSTEES RESOLUTION

SUBJECT: APPROVING THE ADJUSTMENT OF INTEREST RATES OF EXISTING LOANS OF WATER DISTRICTS TO 8.20% PER ANNUM

**RESOLUTION NO. 123
Series of 2014**

WHEREAS, LWUA's existing interest rates for WD loans are as follows:

1. Regular Loans (BOT Resolution No. 38, s. 2009)

Interest	Tenor
9.2% p.a.	Up to 10 years
9.5% p.a.	>10 to 20 years
9.8% p.a.	>20 to 30 years
10.2% p.a.	>30 to 40 years

2. KfW III

KfW Portion	7.75% p.a.
LWUA Counterpart	9.50% p.a.

3. ADB-WDDSP – 7.9% per annum (BOT Resolution No. 116, s. 2012)

4. ICG Soft Loans – 2% per annum (BOT Resolution No. 60, s. 2012)

5. NLIF Loans – 0%

6. NG 2009 – same as Regular Loans

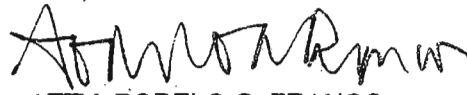
7. Other interest rates adopted before the above rates vary from 4 to 16.5% p.a., some of which still have outstanding balances to-date.

WHEREAS, an outline of LWUA loan portfolio, as of June 30, 2014 by interest rates and with projected interest revenues, shown below, yields a weighted average lending rate of 9.923% p.a.:

Date Adopted:
10 October 2014

913th
Regular/Special Meeting

I, the undersigned, hereby certify that the foregoing is a true copy of Resolution No. 123, s. 2014 adopted by the Board of Trustees of the Local Water Utilities Administration and spread in the minutes of a duly constituted meeting of said Board held on October 10, 2014.


ATTY. RODELO G. FRANCO
Board Secretary

LOCAL WATER UTILITIES ADMINISTRATION

BOARD OF TRUSTEES RESOLUTION

SUBJECT: APPROVING THE ADJUSTMENT OF INTEREST RATES OF EXISTING LOANS OF WATER DISTRICTS TO 8.20% PER ANNUM

Interest Rate Per Annum	Loan Amount	Projected Interest Revenues 2015 - maturity (up to 2053)
0.0%	P 1,565.62 M	-
2.0%	133.67	P 27.59 M
4.0%	0.93	0.03
5.0%	0.50	0.00
7.5%	335.41	49.11
8.5%	1,496.58	896.44
9.0%	115.95	82.77
9.2%	97.73	27.90
9.5%	158.22	121.12
9.8%	564.93	1,094.12
10.0%	106.21	7.40
10.2%	5.47	16.27
10.5%	1,066.68	476.15
12.0%	90.20	90.30
12.5%	5,642.38	4,440.00
14.0%	507.36	370.12
14.5%	208.28	101.82
15.0%	283.44	253.14
16.5%	7.07	6.15
TOTALS	P 12,386.63 M	P 8,060.43 M

WHEREAS, from 2006 to June 2014, about 40 WDs had their LWUA loans, totalling P 5.142B, refinanced by banks. This was in order for these WDs to enjoy savings in interest costs due to the lower rates offered by the banks;

WHEREAS, these buy-outs of WD loans are gaining ground with the advent of falling interest rates. Presently, there are about 20 WDs with pending requests for loan refinancing totalling P 2.311 B, aside from those already approved by LWUA and awaiting take-out totalling P 563 M;

WHEREAS, altogether totalling P 2.874 B, they account for 23% of LWUA's existing loan portfolio. Some of these WDs have expressed their desire to let their loans remain at LWUA if only LWUA would somehow come close to the terms offered by banks;

Jey

Date Adopted:
10 October 2014

I, the undersigned, hereby certify that the foregoing is a true copy of Resolution No.123. s.2014 adopted by the Board of Trustees of the Local Water Utilities Administration and spread in the minutes of a duly constituted meeting of said Board held on October 10, 2014.

913th
Regular/Special Meeting

[Signature]
ATTY. RODELO G. FRANCO
Board Secretary

LOCAL WATER UTILITIES ADMINISTRATION

BOARD OF TRUSTEES RESOLUTION

SUBJECT: APPROVING THE ADJUSTMENT OF INTEREST RATES OF EXISTING LOANS OF WATER DISTRICTS TO 8.20% PER ANNUM

WHEREAS, it has been submitted before that LWUA cannot sacrifice the needs of WDs and their concessionaires for lower cost of water service, just to subsidize the operating needs of LWUA. The government will not stand in the way for a level playing field with the banks.

WHEREAS, the prevailing long-term market rates are as follows:

Type	Tenor	As of	Rate p.a.
PDST - F	10 years	17 July 2014	4.1667
	20	-do-	5.2229
	25	-do-	5.3187
Treasury Bonds PIBD 2537H102 Issued 16 Aug. 2012	25 years	Issue date	5.75
Recent DBP/LBP offers to WDs	Up to 15 years	June 2014	7.5

WHEREAS, as of 31 May 2014, LWUA's Cost Recovery Rate (CRR) is estimated as follows:

Blended borrowing rate, with guarantee fee	1.4837%
Cost of FX fluctuation	0.3757
Cost of capital used to cover time in repayment	0.2388
LWUA operation and maint.	<u>5.8130</u>
Cost of lending	<u>7.9112%</u>

WHEREAS, due to volatility of the figures/data, the above CRR can be conservatively placed at the range of 7.9 - 8.0% p.a.;

WHEREAS, at a given CRR of 8.0% p.a. which is the ceiling of the above range, LWUA's lending rates can be lowered to 8.2% p.a.. At such rate, LWUA is still

Date Adopted:
10 October 2014

I, the undersigned, hereby certify that the foregoing is a true copy of Resolution No.123, s.2014 adopted by the Board of Trustees of the Local Water Utilities Administration and spread in the minutes of a duly constituted meeting of said Board held on October 10, 2014.

913th
Regular/Special Meeting


ATTY. RODELO G. FRANCO
Board Secretary

LOCAL WATER UTILITIES ADMINISTRATION

BOARD OF TRUSTEES RESOLUTION

SUBJECT: APPROVING THE ADJUSTMENT OF INTEREST RATES OF EXISTING LOANS OF WATER DISTRICTS TO 8.20% PER ANNUM

expected to generate a modest profit margin equivalent to twenty (20) basis points.

WHEREAS, when related with prevailing market rates as listed above, the reduced 8.2% p.a. will show an equivalent of about 300 basis points LWUA spread;

WHEREAS, the Board of Trustees, in its Resolution No. 87, s. 2014, has approved the reduction of LWUA's effective lending rate for prospective loans to a maximum of 8.2% per annum;

WHEREAS, Management has also recommended that LWUA's interest rate for its existing loans be reduced as well to 8.2% p.a., effective January 1, 2015;


NOW, THEREFORE, BE IT RESOLVED, as it is hereby resolved, to reduce LWUA's interest rate for all its existing loans to 8.2% per annum, effective January 1, 2015.

RESOLVED, Further, that this new rate shall be subject to regular review to take into consideration relevant factors.


APPROVED:



HON. ANDRES F. IBARRA
Administrator and Ex-officio Vice Chairman



HON. SOLEDAD EMILIA J. CRUZ
Official Alternate of DOF Sec. Purisima



HON. MARIA CATALINA E. CABRAL.
Official Alternate of DPWH Sec. Singson



HON. EDUARDO C. SANTOS
Acting Member

Date Adopted:
10 October 2014

I, the undersigned, hereby certify that the foregoing is a true copy of Resolution No. 123, s.2014 adopted by the Board of Trustees of the Local Water Utilities Administration and spread in the minutes of a duly constituted meeting of said Board held on October 10, 2014.

913th
Regular/Special Meeting



ATTY. RODELO G. FRANCO
Board Secretary