

LOCAL WATER UTILITIES ADMINISTRATION

**BOARD OF TRUSTEES RESOLUTION**

**SUBJECT: APPROVING THE REDUCTION OF LWUA'S EFFECTIVE LENDING RATE FOR PROSPECTIVE LOANS TO A MAXIMUM OF 8.20% PER ANNUM**

**RESOLUTION NO. 87**  
**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.

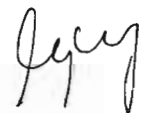
**WHEREAS**, an outline of LWUA loan portfolio, as of June 30, 2014 by interest rates and with projected interest revenues, shown below, yields a weighted average lending rate of 9.923% p.a.:

Date Adopted:  
07 August 2014

909<sup>th</sup>  
Regular/Special Meeting

*I, the undersigned, hereby certify that the foregoing is a true copy of Resolution No. 87, 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 August 7, 2014.*

  
ATTY. RODELO G. FRANCO  
Board Secretary



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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
<b>TOTALS</b>	<b>P 12,386.63 M</b>	<b>P 8,060.43 M</b>

**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;

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<p>909<sup>th</sup> Regular/Special Meeting</p>	<p> ATTY. RODELO G. FRANCO Board Secretary</p>

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**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.

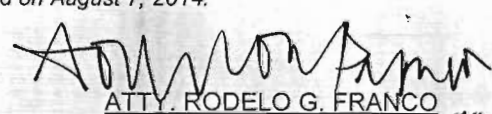
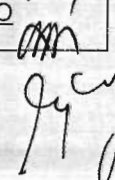
**WHEREAS**, the prevailing long-term market rates are as follows:

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

**WHEREAS**, as of 31 May 2014, LWUA's cost of lending 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.	5.8130
Cost of lending	7.9112%

**WHEREAS**, due to the high volatility of the figures/data involved, the cost of lending can be conservatively placed at 8.0 – 8.5% p.a.;

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909 <sup>th</sup> Regular/Special Meeting	<p style="text-align: right;">  </p>

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**WHEREAS**, at a stated cost of lending of 8.2% p.a., LWUA's lending rates can be reduced to this rate as maximum. Relating with prevailing market rates, the stated 8.2% p.a. will be inclusive of about 3% LWUA spread;

**WHEREAS**, for prospective loans, Management has recommended reducing LWUA's effective lending rate to a maximum of 8.2% p.a., irregardless of sources;

**NOW, THEREFORE, BE IT RESOLVED**, as it is hereby resolved, to reduce LWUA's effective lending rate for prospective loans to a maximum of 8.20% per annum, irregardless of source;


**RESOLVED**, further, that confirmation of this resolution is subject to the submission by the Investment and Financial Services of the List of Water Districts' Existing Loan/s.

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:  
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**ATTY. RODELO G. FRANCO**  
Board Secretary

