

ENERGY, CLIMATE CHANGE, AND ENVIRONMENTAL JUSTICE COMMITTEE REPORT, ORDINANCE FIRST CONSIDERATION and RESOLUTIONS relative to the issuance of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2018-A and Subordinate Revenue Refunding Bonds, Series 2018-B and Series 2018-C.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. ADOPT the 24th Supplemental Subordinate General Resolution, including various documents required to execute the transactions (attached to the Council file), and authorize the City Administrative Officer (CAO) to take certain actions required to manage the transactions, including costs of issuance.
2. ADOPT the 25th Supplemental Subordinate General Resolution, including various documents required to execute the transactions (attached to the Council file), and authorize the CAO to take certain actions required to manage the transactions, including costs of issuance.
3. AUTHORIZE the CAO to make technical changes to implement the intent of the Council and Mayor.
4. ADOPT the accompanying ORDINANCE dated September 20, 2018 providing for the issuance of Subordinate Bonds for the Wastewater System and amending Los Angeles Administrative Code Sections 5.168.1(a), 5.168.1(d), 5.168.1(e) and 5.168.2 to add special funds related to the issuance of the Bonds, and to revise the administration of existing Wastewater System funds.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that there is no impact to the General Fund as a result of the recommended Los Angeles Wastewater System Subordinate Revenue 2018 Bonds as debt service is paid from the Sewer Construction and Maintenance Fund. The debt service amount for the Series 2018-A is approximately \$5,890,000 due on June 1, 2019. The debt service amount for the Series 2018-B Bonds is approximately \$3,820,000 due on June 1, 2019. The total 2018-19 debt service amount for the Series 2018-C Bonds is approximately \$2,125,000, due first on December 3, 2018, and monthly thereafter on the first business day of each month. These debt service amounts are conservatively estimated in order to ensure that sufficient amounts are allocated to cover debt service in 2018-19.

Debt Impact Statement: The CAO reports that there is no debt impact to the City's General Fund from the approval of the recommendations contained in the September 25, 2018 CAO report, attached to the Council file, as debt service on the Wastewater System Revenue Bonds (including the Series 2018 Bonds) are paid from the Sewer Construction and Maintenance Fund (SCM). The issuance of approximately \$250 million in Series 2018-A Bonds is currently expected to result in the City paying a total of approximately \$437,810,000, including \$221,445,000 million in interest, over 30 years at a true interest cost of approximately 3.86 percent. The average annual debt service for the Series 2018-A Bonds is \$14,818,704. The proposed Series 2018-B Refunding is expected to generate slight savings over the life of the bonds for the SCM Fund. These projected savings are based on the assumption that future LIBOR rates will be equal to the market's projection of LIBOR. These borrowing amounts and interest rates are based on

current market conditions. Actual borrowing amounts and interest rates are subject to change based on market conditions at the time that the Series 2018 Bonds are sold.

Community Impact Statement: None submitted.

Summary:

On October 2, 2018, your Committee considered September 25, 2018 CAO and September 20, 2018 City Attorney reports, Resolutions, and Ordinance relative to the issuance of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2018-A and Subordinate Revenue Refunding Bonds, Series 2018-B and Series 2018-C. According to the CAO, it's requesting authority to issue Los Angeles Wastewater (LAWW) System Subordinate Revenue Bonds, Series 2018-A (Green Bonds) and Subordinate Revenue Refunding Bonds, Series 2018-B (together, the Fixed Rate 2018 Bonds) and Series 2018-C (Variable Rate; the Variable Rate 2018-C Bonds)[all combined, the 2018 Bonds] to:

1. Issue up to \$300 million in new money for \$200 million in capital projects associated with the Wastewater System and refund \$50 million in outstanding LAWW Commercial Paper Notes.
2. Refund the hedged portion of the outstanding LAWW Variable Rate Subordinate Refunding Bonds, Series 2012-D (Variable Rate 2012-D Bonds) and fund the termination payments in connection with the termination of certain interest rate swap agreements relating to the Variable Rate 2012-D Bonds (2012-D VRDBs).
3. Refund the unhedged portion of the outstanding 2012-D VRDBs.

The Series 2018-A Bonds (Green Bonds) will be issued to provide \$200 million in new money for future capital projects related to the Wastewater System. The Series 2018-A (Green Bonds) Bonds will also be used to refinance \$50 million of Wastewater System Commercial Paper (CP) notes currently outstanding into long-term fixed rate bonds.

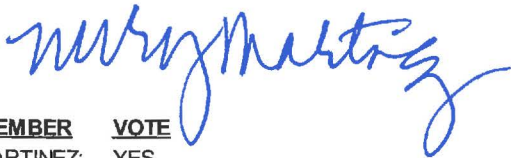
Currently, the City has \$280.86 million in 2012-D VRDBs outstanding through a direct purchase floating rate (FR) note with Bank of America Preferred Funding Corporation that expires on December 17, 2018. The Series 2018-B Bonds will be issued to refund a portion of the 2012-D VRDBs, the \$151.1 million that is hedged through the LIBOR-based floating interest rate to fixed interest rate swaps. As this FR note is expiring, we are recommending the termination of the swaps as we believe there are either savings over the life of the bonds greater than the approximately \$16 million cost in termination payment, a net neutral transaction, or a small dissavings to the City, depending on the actual results of the bond sale. The analysis currently shows slight positive savings over the life of the bonds.

The City will entirely terminate the swap agreements with the swap providers (the Counterparties), The Bank of New York Mellon and Dexia Credit Local. The remainder of the \$280.86 million FR note will be issued as 2018-C VRDBs that will bear interest on a weekly basis with interest payments due on the first business day of each month commencing on December 3, 2018. These bonds will be backed by a direct pay Letter of Credit (LOCs) to be issued by The Toronto-Dominion Bank (TD Bank). Since the current LOCs for the Wastewater System Commercial Paper (CP) Program will expire in December 2018 and a LOC for the 2018-C VRDBs was needed, the

CAO is also recommending, in a separate report, the replacement and extension of the Wastewater System CP Program LOCs for \$250 million. After further consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the recommendations contained in the CAO report and detailed in the above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ENERGY, CLIMATE CHANGE, AND ENVIRONMENT JUSTICE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
MARTINEZ:	YES
KORETZ:	ABSENT
KREKORIAN:	YES
CEDILLIO:	YES
O'FARRELL:	YES

ARL
10/2/18

-NOT OFFICIAL UNTIL COUNCIL ACTS-