

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: May 21, 2008

CAO File No. 0220-02221-8175

Council File No. 06-0319-08-0951

Council District: --

To: The Mayor  
The Council

From: Karen L. Sisson, City Administrative Officer *KLS*

Reference: Los Angeles Wastewater System Debt Financing Program

Subject: **ADDITIONAL ACTIONS REQUIRED FOR THE ISSUANCE OF LOS ANGELES WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS, VARIABLE RATE REFUNDING SERIES 2006 A, B1, B2, C, D AND SERIES 2008 A, B, C, D, E, F1, F2, G, H; AND CONSOLIDATION OF DEBT SERVICE RESERVE FUNDS INTO ONE DEBT SERVICE RESERVE FUND**

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### SUMMARY

The City Administrative Officer (CAO) previously received authority to issue \$316.8 million in Los Angeles Wastewater (LAWW) System Subordinate Revenue Bonds, Variable Rate Refunding Series 2006 A, B1, B2, C, D (Series 2006; C.F. 06-0319) and \$450 million in LAWW System Subordinate Revenue Bonds, Variable Rate Refunding Series 2008 A, B, C, D, E, F1, F2, G, H (Series 2008; C.F. 08-0951). Series 2008 included the refunding of Series 2006, in addition to the refunding of LAWW System Subordinate Revenue Bonds, Variable Rate Refunding Series 2001 A, B, C, D (Series 2001).

Subsequent to the approval of the Series 2008 refunding, the City Attorney notified this Office that Ordinances required to establish special funds for Series 2006 and Series 2008 were omitted from previous reports, which allowed for the Series 2008 financing to be expedited. The report by the City Attorney has been transmitted separately and includes the Special Fund Ordinance which addresses both Series 2006 and Series 2008.

Ongoing discussions have been held with the Office of Accounting which confirms that there are procedural changes that could be made to improve the administration of the Wastewater System Bond Program. The Los Angeles Administrative Code currently requires the establishment of separate debt service reserve funds for each senior lien bond issue. Every year on January 15, the Office of Accounting evaluates the status of these reserve funds to ensure that sufficient funds are set aside. Dealing with separate funds is cumbersome and increases the opportunities for errors. Given that there is no legal requirement mandating separate reserve funds, the Office of Accounting requests that all existing debt service reserve funds be collapsed into one Wastewater System Senior Lien Bonds reserve fund. The report by the City Attorney has been transmitted separately and includes an Ordinance amending the Los Angeles Administrative Code to allow for the combining of reserve funds.

MAY 22 2008, AD HOC COMMITTEE  
ON PUBLIC DEBT,  
BONDS & FINANCING

## RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Adopt the Ordinance creating special funds for the Wastewater System Revenue Bonds, Refunding Series 2006 A through D and Refunding Series 2008 A through H; and,
2. Adopt the Ordinance amending Los Angeles Administrative Code Section 5.168.1(b) consolidating the various debt service reserve funds into one debt service reserve fund for the Wastewater System Senior Lien Bonds; and,
3. Instruct the Controller to establish a new fund entitled, "Wastewater System Debt Service Reserve Fund;" and,
4. Instruct the Controller to transfer all cash balances from the existing Wastewater System debt service reserve funds to the new fund established pursuant to Recommendation No. 2; and,
5. Authorize the City Administrative Officer to make technical corrections as necessary to implement the Mayor and Council intentions.

## FISCAL IMPACT STATEMENT

There is no impact on the General fund. These recommendations address required actions to complete previously-approved financings and create efficiencies in the administration of the Wastewater System Bond Program.

## DEBT IMPACT STATEMENT

There is no debt impact as a result of these procedural and administrative recommendations.

*KLS:SMB:09080154*