

## COMMUNICATION

**TO: LOS ANGELES CITY COUNCIL**

**FILE NO. 08-0951**

**FROM: COUNCILMEMBER JAN PERRY, CHAIR  
ENERGY AND ENVIRONMENT COMMITTEE**

COMMUNICATION FROM CHAIR, ENERGY AND ENVIRONMENT COMMITTEE, and RESOLUTIONS relative to the substitution/extension of Wastewater System Debt Program credit facilities.

SUBMITS WITHOUT RECOMMENDATION the following recommendations of the City Administrative Officer (CAO), SUBJECT TO THE APPROVAL OF THE MAYOR:

1. ADOPT the accompanying Eleventh Supplemental Resolution (Attachment A of the CAO report dated June 9, 2010) authorizes the execution of replacement credit facilities for the Wastewater Commercial Paper (CP) Program, incorporates various documents required to execute the replacement (Exhibits A to E), and authorizes the CAO to take certain actions required to manage the transaction and the CP Program.
2. ADOPT the accompanying Resolution (Attachment B of the CAO report dated June 9, 2010) which authorizes the execution of a new credit facility with J.P. Morgan Chase Bank, N.A. (JP Morgan), and extension of an existing credit facility with Bank of America, N.A. (BANA) for Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding Series 2008 A through H, and incorporates various documents required to execute the replacements (Exhibits A to E).
3. FIND that the Reimbursement Agreements requiring that any dispute thereunder be resolved by a judicially-appointed referee pursuant to Section 638 et seq. of the California Code of Civil Procedure, rather than by a jury trial, is reasonable and in the best interest of the City.
4. AUTHORIZE the CAO to make technical adjustments as necessary to implement the intent of the Mayor and Council actions.

Fiscal Impact Statement: The CAO reports that there is no impact on the General Fund as a result of its recommended actions. The debt service and associated costs of the Wastewater Debt Program are paid from the Sewer Construction and Maintenance Fund.

Community Impact Statement: None submitted.

### Summary:

In its report dated June 9, 2010, the CAO requests authority to substitute/extend agreements with banks providing credit facilities for the CP Program and Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding Series 2008 A through H (Series 2008). The CAO reports that the credit facilities for the CP Program expire June 30, 2010. The credit facilities for Series 2008 expired on May 1, 2010 and have been extended on a short-term basis by the current banks to accommodate the City.

The CP Program is currently supported by a Line of Credit (LC) of approximately \$326 million provided by WestLB AG (WestLB), State Street Bank and Trust Company (State Street), and California State Teachers' Retirement System (STRS) who have 50 percent, 25 percent, and 25 percent liability, respectively. The CAO received notice from WestLB dated February 25, 2010 advising that it was electing to terminate its Agreement with the City effective June 30, 2010 pursuant to the terms and condition of the Agreement. The CAO recommends replacing WestLB with Wells Fargo Bank, N.A. (Wells) and implementing new Agreements, with equal joint but not several liability, with the three banks for a term of two years through 2012. State Street will serve as the agent for the banks.

The CAO further reports that the Series 2008 variable rate bonds are currently supported by Letters of Credit (LOC) provided by the Bank of Nova Scotia (Scotia) and BANA. Scotia currently provides facilities for Series 2008A through E totaling approximately \$245 million; BANA currently provides facilities for Series 2008F through H totaling approximately \$198 million. The CAO notes that it was unable to reach a final agreement with Scotia in a timely manner, and with assistance from its financial advisors, surveyed banks currently providing credit facilities as the most cost effective method for identifying a replacement facility. The CAO recommends replacing Scotia with JP Morgan and extending the existing facility with BANA-for a term of two years through 2012.

At a special meeting held June 24, 2010, the Energy and Environment Committee Chair discussed this matter with City staff and submits without recommendation the recommendations of the CAO, as submitted in its report dated June 9, 2010.

Respectfully submitted,

JAN PERRY, CHAIR  
ENERGY AND ENVIRONMENT COMMITTEE

| <u>MEMBER</u> | <u>VOTE</u> |
|---------------|-------------|
| PERRY         | YES         |
| CÁRDENAS      | ABSENT      |
| ALARCÓN       | ABSENT      |
| KORETZ        | ABSENT      |
| KREKORIAN     | ABSENT      |

**- Not Official Until Council Acts-**