

# CITY OF LOS ANGELES

CALIFORNIA



ANTONIO R. VILLARAIGOSA  
MAYOR

JUNE LAGMAY  
City Clerk

HOLLY L. WOLCOTT  
Executive Officer

Office of the  
CITY CLERK

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When making inquiries relative to  
this matter, please refer to the  
Council File No.

March 8, 2013

To All Interested Parties:

**Chief Legislative Analyst**

I HEREBY CERTIFY that the City Council adopted the action(s), as attached, under  
Council File No. 13-0002-S30, at its meeting held February 22, 2013.

City Clerk  
io

cc: 8 Certified copies sent to Sacramento Representatives

Mayor's Time Stamp  
OFFICE OF THE MAYOR  
RECEIVED  
2013 FEB 25 AM 11:26  
CITY OF LOS ANGELES

City Clerk's Time Stamp  
CITY CLERK'S OFFICE  
2013 FEB 25 AM 11:26  
CITY CLERK  
BY \_\_\_\_\_  
DEPUTY

**FORTHWITH**

SUBJECT TO THE MAYOR'S CONCURRENCE

COUNCIL FILE NO. 13-0002-S30

COUNCIL DISTRICT \_\_\_\_\_

COUNCIL APPROVAL DATE FEBRUARY 22, 2013

RE: SPONSORSHIP OF LEGISLATION TO ALLOW JOINT POWERS AUTHORITIES TO ISSUE RATE REDUCTION BONDS TO FUND MANDATED PUBLIC CAPITAL IMPROVEMENT WATER QUALITY PROJECTS

LAST DAY FOR MAYOR TO ACT MAR 07 2013  
[10 Day Charter requirement as per Charter Section 231(h)]

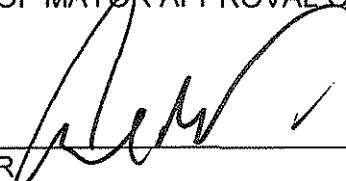
**DO NOT WRITE BELOW THIS LINE - FOR MAYOR USE ONLY**

APPROVED  


\*DISAPPROVED

\_\_\_\_\_  
\*Transmit objections in writing pursuant to Charter Section 231 (h)

DATE OF MAYOR APPROVAL OR DISAPPROVAL MAR 07 2013

MAYOR 

kw

BY \_\_\_\_\_  
CITY CLERK  
DEPUTY  
MAR -7 PM 4:  
CITY CLERK'S OFFICE

13-0002-S30

RULES, ELECTIONS &amp; INTERGOVERNMENTAL RELATIONS

## RESOLUTION

**WHEREAS**, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state, or federal government body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

**WHEREAS**, the Joint Exercise of Powers Act of the California Government Code currently allows two or more public agencies by agreement to form a Joint Powers Authority (JPA) to jointly exercise any power common to the contracting parties; and

**WHEREAS**, JPAs have allowed the Los Angeles Department of Water and Power (LADWP) to successfully finance the construction of various projects by issuing tax-exempt revenue bonds; and

**WHEREAS**, Rate Reduction Bonds are a type of securitization that are a proven way to finance investor owned utility projects and have a great potential benefit for LADWP and its ratepayers by funding certain Water System mandated capital projects on a more affordable basis secured by a dedicated tariff on ratepayers' bills; and

**WHEREAS**, an amendment to the Joint Exercise of Powers Act to allow JPAs to issue Rate Reduction Bonds to fund mandated water quality projects would provide potential benefits such as:

- Enhanced security of bonds will lower investor's required excess margin of revenues over debt service (1.0x debt service coverage vs. the current 2.0x coverage).
- Interest savings provided by higher AAA credit ratings.
- Exclusion of utility tariff debt from LADWP's financial ratios for rating purposes.
- Up to 100% funding of mandated projects from utility tariff debt proceeds; and

**WHEREAS**, A large number of potential Water System public capital improvement projects necessary for compliance or to meet regulatory mandates would be eligible to be funded through this mechanism including, but is not limited to, groundwater capital projects (estimated cost \$1.2 billion) such as contamination clean-up in the San Fernando Valley, Water System improvements including compliance with the Surface Water Treatment Rule, and 20% water conservation by 2020 (estimated cost \$2.2 billion); and

**WHEREAS**, LADWP's utility rate increases necessary to pay for the portion of the customer's bill associated with LADWP Water System mandated capital investments will be significantly reduced due to the lower debt service coverage; and



**WHEREAS**, utility securitization will help reduce future utility water rate increases and for every \$100M of debt securitized, ratepayers will save approximately 0.26%, which is a savings of \$3 million per year from projected Water System revenue requirement of approximately \$1.2 billion and over several years, given the size of the mandated projects needed to be implemented, the cumulative savings are likely to be significant.

**NOW, THEREFORE, BE IT RESOLVED**, with the concurrence of the Mayor that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2013/2014 State Legislative Program, a SPONSORSHIP for legislation amending the Joint Exercise of Powers Act of the Government Code to allow JPAs to issue Rate Reduction Bonds to fund mandated public capital improvement water quality projects.

PRESENTED BY: Paul Krekorian  
PAUL KREKORIAN  
Councilmember, 2<sup>nd</sup> District

SECONDED BY: [Signature]

ORIGINAL

**ADOPTED**

FEB 22 2013

LOS ANGELES CITY COUNCIL

**TO THE MAYOR FORTHWITH**

MAYOR WITH FILE