

13-0002-S30

RULES, ELECTIONS & 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, 2nd District

SECONDED BY: [Signature]

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