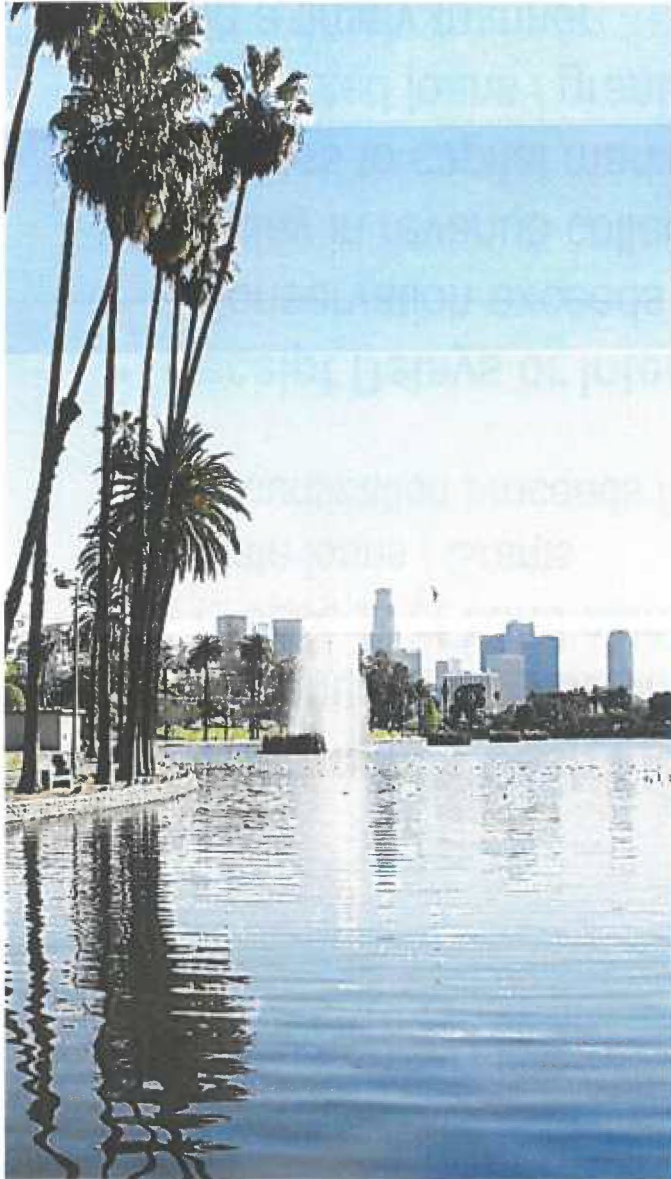


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Los Angeles
Department of
Water & Power



Department of Water and Power City of Los Angeles
Revolving Line of Credit
Environment and Energy Committee

November 18, 2015





Los Angeles
Department of
Water & Power

Revolving Line of Credit Up to a Combined \$500 million for both Water and Power Systems

- **Department's Cash Flows Sources**
 - Revenues from customers
 - Proceeds of bond sales
 - State loans / Grants
 - Securitization proceeds from Water JPA
- **Receipt Delays or Interruptions**
 - Conservation exceeds expectations
 - Delay in revenue collections
 - Access to capital markets become constrained
 - Expected loans / grants from State / Federal agencies do not fund in a timely manner
 - Timing of Water JPA formation



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- **Revolving Line of Credit Provides Access to Short-term Liquidity to Fill the Gap**
 - Fund current capital expenditures
 - Fund working capital on a short-term basis to meet the financial metrics established by the Board
- **Advantages of having Revolving Line of Credit Program**
 - Risk management tool
 - Funds can be accessed on short-term notice and as needed basis
 - Cost effective source of funds – today the cost is approximately 0.30% if used for capital expenditures and pay off without prepayment penalty
 - Moody's Investor Service and Fitch Ratings view Revolving Line of Credit as additional liquidity in their credit scoring



Revolving Line of Credit Up to a Combined \$500 million for both Water and Power Systems

- **Risks Factors**

- Renewal Risk
- Variable rate exposure
- Credit Risk

- **Controls**

- Upon each draw, a report will be submitted to the LADWP Board and the Energy and Environment Committee of the City Council providing information on the purpose, amount, costs, and the anticipated timing of repayment
- All draws must be repaid in full within 12 months from the draw date
- Draws will be certified by the General Manager or Chief Financial Officer as to use for IRS purposes. Tax counsel will review draws for tax purposes
- Draws will be deposited directly into account with the City Treasurer



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- RFP was sent to 20 banks, 6 proposals received, Wells Fargo Bank provided the optimal combination of lowest pricing and high credit quality
- 3-year agreement

• **Costs**

Revolving Line of Credit	Fees	Amount	Cost Sharing	
			Water	Power
Unutilized	0.125%	\$375,000	33%	67%

Utilized (drawn)	Fees (Fixed)	Index (Variable)	Total	*Cost/mo.
Capital Expenditures	0.29%	+ 0.01%	= 0.30%	\$75,000
Working Capital	0.40%	+ 0.20%	= 0.60%	\$150,000

* Based on \$300 million