

ENERGY AND ENVIRONMENT COMMITTEE REPORT relative to authorization to issue up to \$679 million in Power System Revenue Bonds by the Los Angeles Department of Water and Power (LADWP) pursuant to Charter Section 609.

Recommendation for Council action:

CONCUR with the Board of Water and Power Commissioners' action of August 19, 2014, Resolution No. 4880, authorizing the issuance of up to \$679 million of Power System Revenue Bonds to finance a portion of its capital improvements program for Fiscal Year (FY) 2014-15.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that there is no direct impact on the City's General Fund. Approval of the recommended action will authorize the LADWP to finance a portion of its capital improvements program for FY 2014-15. The LADWP estimates the net impact of this issuance will be to increase debt service costs of the Power System Revenue Fund by approximately \$43.7 million annually for 30 years. One-time costs of issuance from the Power System Revenue Fund are estimated at approximately \$2.75 million. One-time costs consist of underwriter's discount; bond and disclosure counsels, financial advisor, and ratings agencies fees.

Community Impact Statement: None submitted.

TIME LIMIT FILE - SEPTEMBER 21, 2014

(LAST DAY FOR COUNCIL ACTION - SEPTEMBER 19, 2014)

Summary:

On September 17, 2014, your Committee considered an August 20, 2014 Board report, July 21, 2014 CAO report and Resolution No. 4880 relative to authorizing the LADWP to issue up to \$679 million in Power System Revenue Bonds pursuant to Charter Section 609. According to the CAO, the LADWP Power System's multi-year capital program is focused on an integrated strategy which includes the Power Supply Replacement Program, Power Reliability Program, and Infrastructure Improvements Program. The LADWP states that the Resolution is an initial resolution of the Board, which sets forth the purpose for future indebtedness and establishes the maximum limit as to principal, interest costs, and term. The Resolution also provides for the private or negotiated sale of the bonds to one or more underwriting firms selected by the Board pursuant to City Charter Section 609 (d) and Los Angeles Administrative Code Section 11.28.4 (the Procedural Ordinance). The bonds will be Power System Revenue Fund obligations and will not constitute an obligation of the City or the General Fund. The City Attorney has approved the proposed resolution as to form and legality. Approval of the proposed resolution by the City Council and the Mayor is required by Charter Section 609(a).

The LADWP Power System Capital Program's strategic priority is to transform its energy resources and power generation, to meet various state and federal mandates; replace aging infrastructure ensuring a robust and reliable distribution system; and promote customer control of their energy future; while maintaining regionally competitive rates for its customers. Funding for the 2014-15 Capital Improvements Program consists of a number of major components which are detailed in the August 20, 2014 Board report and attached to the Council file.

In order to support an overall planned \$1.476 billion capital improvements program during this period, a combination of borrowings and internally generated funds will be required. The Power System's fiscal year 2014-15 Budget adopted by the Board on May 20, 2014 and transmitted to Council as required by Charter Section 684, includes the need to borrow approximately \$679 million of tax-exempt revenue bonds.

After consideration and having provided an opportunity for public comment, the Committee moved to recommend concurring with the Board as detailed in the above recommendation. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ENERGY AND ENVIRONMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
FUENTES:	YES
BLUMENFIELD:	YES
LABONGE:	YES
HUIZAR:	ABSENT
KORETZ:	ABSENT

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9/17/14

-NOT OFFICIAL UNTIL COUNCIL ACTS-