



Los Angeles
Department of
Water & Power

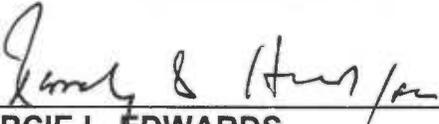
BOARD LETTER APPROVAL

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RESOLUTION NO. _____


PHILIP LEIBER
Chief Financial Officer


DAVID H. WIGGS
Chief Administrative Officer


MARCIE L. EDWARDS
General Manager

DATE: November 25, 2014

SUBJECT: Transfer of Money from the Power Revenue Fund
to the Reserve Fund of the City of Los Angeles
During Fiscal Year 2014/15

SUMMARY

The attached resolution authorizes the adoption of an ordinance by the Los Angeles City Council to transfer money from the Power Revenue Fund of the City of Los Angeles Department of Water and Power (LADWP) to the Reserve Fund of the City of Los Angeles (City) during the 2014/15 fiscal year in the amount of \$265,586,000. This amount is available for transfer based on a review of the Power System's operations as of the close of the 2013/14 fiscal year.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached resolution authorizing the adoption of an ordinance to transfer money from the Power Revenue Fund to the Reserve Fund of the City during Fiscal Year 2014/15.

ALTERNATIVES

The alternatives for the City transfer are described in City Charter Section 344. By December 31 of each year, the Board shall notify the City Council and the Mayor of the Board's decision to:

1. Approve that the transfer be made in full;
2. Approve that the transfer be made in part; or
3. Decide that the transfer not be made in whole or in part.

If the Board has decided to not make the transfer in full, the Board shall provide the City Council and the Mayor with a detailed explanation of the basis therefore and all supporting financial information, and a preliminary assessment on the feasibility of making the transfer or the remaining portion of the transfer, as the case may be, by the end of the fiscal year. In the event the Board notifies the City that it will be unable to make the transfer in whole or in part, the City Administrative Officer shall verify the LADWP's findings and report to the Mayor and the City Council concurrently, by no later than February 28, with their findings and recommendations. The Board shall after receiving the report from the City Administrative Officer and consultation with the Council and Mayor, act to either amend or uphold the Board's preliminary findings.

BACKGROUND

The Power System transfer being recommended is based on the financial results of Fiscal Year 2013/14 and a transfer amount of eight percent of the gross operating revenues. Transfers of this nature are a common practice of municipal electric utilities, based on data from the American Public Power Association. The transfer is subject to the following bond covenants:

- 1) No transfer may exceed prior fiscal year's net income; and
- 2) No transfer may result in prior fiscal year's surplus less the 2014/15 transfer amount being less than thirty-three and one-third percent (33-1/3%) of the total indebtedness (including the current portion) outstanding not more than ten days prior to the date of such transfer.

Based on the calculations as shown in Attachment A, the LADWP recommends a transfer of \$265,586,000 during the 2014/15 fiscal year, which is in compliance with the bond covenants.

The attached resolution provides for \$132,793,000 to be transferred within ten days after the effective date of the ordinance in one lump-sum payment and the remainder to be transferred in approximately equal monthly installments so that by June 30, 2015, the full amount of \$265,586,000 has been paid.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved as to form and legality the attached resolution.

ATTACHMENTS

- Resolution
- Power System City Transfer Calculation for Fiscal Year 2014/15 and Bond Covenants Compliance Tests (Attachment A)

Power System
City Transfer Calculation for Fiscal Year 2014/15
and Bond Covenants Compliance Tests
Based on Audited Financial Data for Fiscal Year Ended June 30, 2014
(amounts in thousands)

City Transfer Amount for Fiscal Year 2014/15	\$265,586
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Test 1: No transfer may exceed prior fiscal year's Net Income.

Net Income for fiscal year ended June 2014	\$387,500
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Conclusion: Transfer amount is less than Net Income.

Test 2: No transfer may result in prior fiscal year's Surplus less the 2014/15 transfer amount being less than thirty-three and one-third percent (33-1/3%) of the Total Indebtedness (including the current portion) outstanding not more than 10 days prior to the date of such transfer.

Surplus as of June 30, 2014	\$5,293,640
Less: 2014/15 City Transfer Amount	265,586
Adjusted Surplus	\$5,028,054
Total debt outstanding including current portion	\$8,164,755
Debt issued since June 30, 2014	450,000
Total Indebtedness as of December 6, 2014	\$8,614,755
Thirty-three and one-third percent	33.33%
33.3% of Total Indebtedness as of December 6, 2014	\$2,871,298
Adjusted Surplus less 33.3% of Total Indebtedness	\$2,156,757

Conclusion: Adjusted Surplus is greater than 33.33% of Total Indebtedness as of December 6, 2014