

COMMUNICATION FROM CHAIR AND MEMBER, ENERGY AND ENVIRONMENT COMMITTEE relative to authorization to issue up to \$1.5 billion in Power System Refunding Revenue Bonds pursuant to Charter Section 609.

Recommendation for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

CONCUR with the Board of Water and Power Commissioners' (Board) action of February 3, 2015, Resolution No. 4890, authorizing the Los Angeles Department of Water and Power (LADWP) to issue through private sales a maximum of \$1.5 billion in Power System Refunding Revenue Bonds to refinance existing outstanding debt in accordance with the provisions of Charter Section 609 and Los Angeles Administrative Code Sections (LAAC) 11.28.1 through 11.28.9.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that there is no impact on the City or the General Fund. Approval of Resolution No. 4890 will authorize the LADWP to refinance a portion of existing Power System debt. Debt issuance costs are estimated at \$5.66 million for the total \$1.5 billion refunding transactions. Debt issuance costs consist of underwriter's discount, bond and disclosure counsels, financial advisor, rating agencies fees, escrows, verification agent, and printing costs. Debt service on these revenue bonds and all projected savings will accrue to the LADWP Power Revenue Fund.

Community Impact Statement: None submitted.

TIME LIMIT FILE - MARCH 6, 2015

(LAST DAY FOR COUNCIL ACTION - MARCH 6, 2015)

Summary:

On February 18, 2015, the Chair and one member of the Energy and Environment Committee considered February 4, 2015 Board and January 13, 2015 CAO reports and Resolution No. 4890 relative to authorizing the initial authorization to issue up to \$1.5 billion of Power System Refunding Revenue Bonds to refinance outstanding debt. According to the CAO, the LADWP is requesting approval of Resolution 4890 (Resolution) authorizing the issuance of Power System Refunding Revenue Bonds to refinance existing outstanding debt.

Approval of the proposed resolution is intended by the LADWP to represent a standing authorization of the Board to issue one or more series of bonds as the Board may determine. This will enable the LADWP to execute multiple refunding transactions currently and in the future while establishing a maximum limit as follows:

- a. The maximum principal amount is \$1.5 billion.
- b. The maximum term of the bonds is 45 years from the date of issuance.
- c. The maximum interest cost to be incurred through the issuance of the bonds is 12 percent per annum consistent with California Code Section 53531.

The proposed Resolution also authorizes the private or negotiated sale of the bonds to one or more

underwriting firms selected by the Board pursuant to City Charter Section 609 and LAAC Section 11.28.4 (the Procedural Ordinance) governing proprietary department bond resolutions. The purpose of the proposed refunding bonds is to refinance a portion of the higher cost outstanding Power System debt in order to reduce the associated borrowing costs. The LADWP has established a goal of at least three percent present value savings of the refunded par value (principal amount of the bond) for the refunding transaction(s). Finally, the proposed refunding bonds will be LADWP Power 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.

After consideration and having provided an opportunity for public comment, the Committee Chair moved to recommend approval of Resolution No. 4890 as detailed in the February 4, 2015 Board report and detailed in the above recommendation. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

COUNCILMEMBER FELIPE FUENTES, CHAIR



ENERGY AND ENVIRONMENT COMMITTEE

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

ARL
2/18/15

-NOT OFFICIAL UNTIL COUNCIL ACTS-