

ENERGY AND ENVIRONMENT COMMITTEE REPORT, RESOLUTIONS AND ORDINANCE FIRST CONSIDERATION relative to the issuance of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015.

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

1. PRESENT and ADOPT the accompanying ORDINANCE to:

- a. Provide for the issuance of senior lien bonds and subordinate bonds for the Wastewater System which shall be designated as the Wastewater System Revenue Bonds, Series 2015-A, Refunding Series 2015-B, Series 2015-C, Refunding Series 2015-D and Wastewater System Subordinate Revenue Bonds, Refunding Series 2015-A
- b. Amend Los Angeles Administrative Code Section 5.168.1 to add related special funds consisting of debt service funds for the senior lien bonds, a debt service fund for the subordinate bonds, a construction fund for the senior lien Series 2015-A Bonds, and rebate funds for the Bonds.

2. ADOPT the accompanying RESOLUTIONS:

- a. Seventeenth Supplemental Resolution supplementing the Wastewater System Subordinate Revenue Bonds General Resolution which was adopted by City Council on March 26, 1991 and further authorizing and approving the issuance of Wastewater System Subordinate Revenue Bonds, the negotiated sale of such bonds, the execution and delivery of documents related thereto and related actions.
- b. Twenty Eighth Supplemental Resolution supplementing the Wastewater System Revenue Bonds General Resolution adopted by City Council on November 10, 1987 and authorizing and approving the issuance of Wastewater System Revenue Bonds, the negotiated sale of such bonds, the execution and delivery of documents related thereto and related actions.

3. AUTHORIZE the City Administrative Officer (CAO) to make technical changes to implement the intent of the City Council and Mayor.

Fiscal Impact Statement: The CAO reports that there is no impact to the General Fund as a result of the recommended Los Angeles Wastewater System Refunding Series 2015 bond issue. The debt service on the Wastewater System Revenue Bonds is paid from the Sewer Construction and Maintenance Fund. The costs of issuance will be paid from bond proceeds.

Debt Impact Statement: The CAO reports that there is no debt impact to the City's General Fund from the approval of the recommendations in the April 30, 2015 CAO report, attached to the Council file. The proposed transactions are expected to generate savings of approximately \$23 million over the life of the bonds for the Sewer Construction and Maintenance Fund. The actual amount of savings will be determined at the time of issuance subject to market conditions and the City's Debt Management Policies.

Community Impact Statement: None submitted.

Summary:

On May 6, 2015, your Committee considered April 30, 2015 CAO and May 1, 2015 City Attorney reports, Resolutions and Ordinance relative to the issuance of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015. According to the CAO, it is requesting authority to issue Los Angeles Wastewater System (LAWW) Fixed-Rate Revenue Refunding Bonds (Series 2015 Bonds) to:

- a. Refinance portions of LAWW Revenue Bonds Series 2002A, 2005A, 2009A and 2010A-subordinate, if the refinancing achieves interest savings in accordance with the City's debt policy.
- b. Issue up to \$110 million to refinance outstanding Commercial Paper (CP) notes.
- c. Issue up to \$200 million in new money for future capital needs.

Authority is requested to issue the maximum amount of refunding bonds that are needed to achieve interest savings, which will be determined at the time of sale, subject to market conditions. The CAO recommends the adoption of two Resolutions (Attachments A and B) that incorporate various documents required for the issuance and sale of the Series 2015 Bonds (Exhibits A to C).

The Series 2015 Bonds will be issued in five series. Series 2015-A in the amount of \$200 million and Series 2015-C in the amount of \$110 million will be new bonds issued for new capital projects and to refinance CP notes, respectively. The remaining series, Series 2015-B, Series 2015-D and Series 2015-A (Subordinate), will be issued to refund bonds for present value savings of approximately \$23 million over the life of the bonds. Series 2015-A and Series 2015-C represent the Wastewater System's inaugural issuances of "Green Bonds." Green Bonds are bonds issued for capital projects that are sustainable or environmentally-focused and are attractive to a growing group of investors who have mandates to invest in socially responsible endeavors.

The CAO recommends the sale of the Series 2015 Bonds on a negotiated basis by the following firms selected from the approved qualified list of underwriters for fixed-rate bond transactions (Council File No. 10-1763):

- a. Bank of America/Merrill Lynch (LBE)
- b. Backstrom McCarley Berry & Co. (LBE/MBE)
- c. Citigroup Global Markets (LBE)
- d. Jefferies & Co., Inc (LBE)
- e. J.P. Morgan Securities LLC (LBE)
- f. Loop Capital Markets LLC (LBE/MBE)
- g. Siebert Brandford Shank & Co., LLC (LBE/MBE).

To proceed with the LAWW Series 2015 transaction, the Mayor and City Council will need to approve

the Twenty-Eighth Supplemental Resolution (Senior Debt - Attachment A) and the Seventeenth Supplemental Resolution (Subordinate Debt - Attachment B). These Resolutions incorporate various documents required to execute the proposed transactions, authorize the issuance of: 1) up to \$300 million in new bonds for future capital projects; and, 2) the maximum amount of refunding bonds that are deemed to achieve interest savings, which will be determined at the time of sale, and authorize the CAO to take certain actions to manage the various transactions.

The Resolutions provide for authority to issue up to \$300 million in new money should circumstances support increasing the amount issued at the time the transaction is priced. Specifically, BOS is currently projecting capital needs of \$140 million in Fiscal Year 2017-18. If economically viable, up to an additional \$100 million may be issued during this transaction to fund the Resolutions also incorporate the following documents for each of the proposed transactions (Exhibits A to C):

- a. Escrow Agreement (Exhibit A of the April 30, 2015 CAO report, attached to the Council file)
- b. Bond Purchase Agreement (Exhibit B of the April 30, 2015 CAO report, attached to the Council file)
- c. Preliminary Official Statement (Exhibit C of the April 30, 2015 CAO report, attached to the Council file)

This transaction will also provide the first step towards enacting a springing amendment to the General Resolution that was initiated in the Series 2010 transactions. The springing amendment provides flexibility with respect to reserve funding levels for future sales and the treatment of federal subsidies received for the Wastewater System's Build America Bonds and Recovery Zone Economic Development Bonds issued as part of the Series 2010 transaction. The springing amendment requires the adoption of a separate Resolution after these transactions close, which will be submitted to the Mayor and City Council for approval prior to Fall of this year. The Mayor and City Council will also need to approve an Ordinance establishing the special funds for the Series 2015 Bonds, which has been prepared by the City Attorney and will be submitted separately. The sale of the first series of bonds is planned for late May 2015, with the closing of the transaction in early June 2015. The sale and closing of the second series of bonds is planned for June 2015, a portion of BOS' future capital program.

After further consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the Ordinance and Resolutions as detailed in the above recommendations and further authorizing the CAO to make technical changes to implement the intent of the City Council and Mayor. This matter is now submitted to Council for its consideration.

A handwritten signature in black ink, appearing to be 'JA', is written over a horizontal line.

Respectfully Submitted,

ENERGY AND ENVIRONMENT COMMITTEE

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

ARL  
5/6/15

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**