

ENERGY, CLIMATE CHANGE, AND ENVIRONMENTAL JUSTICE COMMITTEE REPORT relative to authorizing the Los Angeles Department of Water and Power (LADWP) to issue up to \$1.435 Billion in Power System Revenue Bonds.

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

CONCUR with the Board of Water and Power Commissioners' (Board) action of August 14, 2018, Resolution No. 4942, authorizing the LADWP to issue up to \$1.435 Billion of Power System Revenue Bonds to fund a portion of the Power System Capital Improvements Program for Fiscal Years (FY) 2018-19 and 2019-20 pursuant to Charter Section 609 and Los Angeles Administrative Code (LAAC) Sections 11.28.1 through 11.28.9.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that approval of Resolution No. 4942 will impact the LADWP Power Revenue Fund. There is no fiscal impact to the City General Fund.

Debt Impact Statement: None submitted.

Community Impact Statement: None submitted.

Summary:

On August 21, 2018, your Committee considered July 10, 2018 CAO and August 15, 2018 Board reports and Resolution No. 4942 relative to authorizing the LADWP to issue up to \$1.435 Billion of Power System Revenue Bonds to fund a portion of the Power System Capital Improvements Program for FYs 2018-19 and 2019-20 pursuant to Charter Section 609 and LAAC Sections 11.28.1 through 11.28.9. According to the CAO, the LADWP intends to issue bonds to finance a portion of its Power System Capital Improvements Program (CIP) which is \$1,532 billion in FY 2018-19 and \$1,678 billion in FY 2019-20. Approval of Resolution No. 4942 is intended by the LADWP to represent an "initial resolution" of the Board, which sets forth the purpose for future indebtedness and establishes the maximum limits for this issuance as follows:

- The maximum principal is \$1.435 billion.
- The maximum term of the debt is 30 years from the date of issuance.
- The maximum interest cost to be incurred through the issuance of bonds is 12 percent.

The maximum legally permissible interest cost that could be incurred through the issuance of the bonds is 12 percent per annum consistent with California Code Section 53531. The LADWP expects that the current market conditions will provide an interest cost in the range of 4.0 to 5.5 percent. The Resolution also provides for the private sale of the bonds to one or more underwriting firms selected by the Board pursuant to Charter Section 609(d) and LAAC Section 11.28.4 (Procedural Ordinance) governing proprietary department bond resolutions.

The \$1.435 billion bond issuance will be funded by the multi-year rate increase that were approved by Council in March 2016 and became effective on April 15, 2016. The bonds will be 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. In compliance with the Responsible Banking Ordinance No. 182138 (RBO), the LADWP's Pool of Underwriters have disclosed, or are in the process of disclosing, their involvement in charitable programs or scholarships within the City of Los Angeles and internal policies regarding use of subcontractors designated as small business and disabled veteran business enterprises. After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of Resolution No. 4942. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ENERGY, CLIMATE CHANGE, AND ENVIRONMENTAL JUSTICE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
MARTINEZ:	YES
KORETZ:	YES
KREKORIAN:	YES
CEDILLO:	YES
O'FARRELL:	ABSENT

ARL
8/21/18

-NOT OFFICIAL UNTIL COUNCIL ACTS-