



Office of the Los Angeles City Attorney
Hydee Feldstein Soto

REPORT NO. R 25 - 0 1 3 3
MAR 24 2025

REPORT RE:

DRAFT ORDINANCE PROVIDING FOR THE ISSUANCE OF SUBORDINATE AND SENIOR BONDS FOR THE WASTEWATER SYSTEM AND AMENDING SECTION 5.168.1 OF ARTICLE 5 OF CHAPTER 9 OF DIVISION 5 OF THE LOS ANGELES ADMINISTRATIVE CODE TO CREATE SPECIAL FUNDS RELATED TO THE ISSUANCE OF THOSE BONDS AND TO FACILITATE COMPLIANCE WITH CERTAIN TAX LAW REQUIREMENTS FOR THE WASTEWATER SYSTEM REVENUE BOND PROGRAM

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality, in connection with the City's Wastewater System revenue bond program. This draft ordinance provides for the issuance of subordinate bonds, which shall be designated in the following series: (i) Wastewater System Subordinate Revenue Bonds, Series 2025-A (Subordinate Series 2025-A Bonds), (ii) Wastewater System Subordinate Revenue Bonds, Series 2025-B (Federally Taxable) (Subordinate Series 2025-B Bonds), and (iii) Wastewater System Subordinate Revenue Bonds, Refunding Series 2025-C (Subordinate Series 2025-C Bonds), with such series and subseries designations as provided by resolution. The draft ordinance also provides for the issuance of senior bonds, which shall be designated as the Wastewater System Revenue Bonds, Refunding Series 2025-A (Series 2025-A Bonds), with such series and subseries designations as provided by resolution. The draft ordinance further amends Section 5.168.1 of the Los Angeles Administrative Code (LAAC) to establish debt service funds to pay principal and interest when due on the

Subordinate Series 2025-A Bonds, Subordinate Series 2025-B Bonds, Subordinate Series 2025-C Bonds, and Series 2025-A Bonds; and to establish accounting funds to record certain accounting transactions for the Subordinate Series 2025-A Bonds and Subordinate Series 2025-B Bonds related to the retirement of outstanding Wastewater System Commercial Paper Revenue Notes. Finally, the draft ordinance creates new special funds to facilitate compliance with certain tax law requirements for the Wastewater System revenue bond program.

Summary of Provisions

Under the City Council's existing authorizing resolution for the Wastewater System senior lien bonds (Senior Bonds Authorizing Resolution), a common debt service reserve fund (Debt Service Reserve Fund, or DSRF) was created for the purpose of paying principal and interest on the senior lien bonds if the amounts in the applicable debt service funds were insufficient to pay such principal or interest on the payment dates. Following the issuance of the Series 2025-A Bonds, the City will effectuate an amendment to the Senior Bonds Authorizing Resolution to eliminate the requirement to maintain the DSRF and, therefore, release all amounts currently held in the DSRF to the DSRF Releases Tracking Fund, which fund is needed to track the expenditure of the released amounts in compliance with federal tax law. The enclosed draft ordinance thus adds Subsection (f) to LAAC Section 5.168.1 to create the Wastewater System Debt Service Reserve Fund Releases Tracking Fund.

The enclosed draft ordinance also adds Subsection (g) to LAAC Section 5.168.1 create the Wastewater System Reimbursement Tracking Fund (Reimbursement Tracking Fund). This fund is created to deposit reimbursements received by the Bureau of Sanitation (LASAN) from contract agencies that use the City's Wastewater System, including, among others, the City of Burbank, City of Glendale, City of Beverly Hills, and City of Santa Monica. The reimbursements are for the capital costs incurred by LASAN to make improvements to the City's Wastewater System. LASAN also receives reimbursements from other sources, including insurance proceeds. As with the funds the funds mentioned above, the Reimbursement Tracking Fund is created to facilitate compliance with federal tax law.

Council Rule 38 Referral

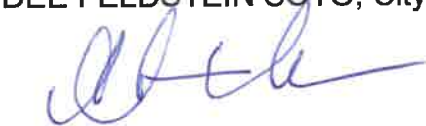
A copy of the draft ordinance was sent, pursuant to Council Rule 38, to the Chief Legislative Analyst and the Office of the City Administrative Officer. Their comments have been incorporated.

If you have any questions regarding this matter, please contact Deputy City Attorney Amy Pham at (213) 978-7700. A member of this Office will be available when you consider this matter to answer questions you may have.

Sincerely,

HYDEE FELDSTEIN SOTO, City Attorney

By



for MICHAEL J. DUNDAS
Senior Assistant City Attorney

MJD:APP:vw
Transmittal