

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 5, 2024

CAO File No. 0220-05291-1561

Council File No. 20-1176

Council District: All

To: The Mayor
The City Council

From: Matthew W. Szabo, City Administrative Officer

Subject: **AMENDMENT NO. 1 TO THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY WATER INFRASTRUCTURE FINANCE AND INNOVATION ACT PROGRAM LOAN AGREEMENT FOR THE DONALD C. TILLMAN ADVANCED WATER PURIFICATION FACILITY PROJECT**

RECOMMENDATION

That the City Council, subject to the approval of the Mayor:

1. ADOPT the Twenty-Eighth Supplemental Subordinate General Resolution, which authorizes and approves amendments to the Twenty-Sixth Supplemental Subordinate General Resolution relating to the Los Angeles Wastewater System Subordinate Revenue Bond, Series 2021 (Water Infrastructure Finance and Innovation Act) (WIFIA Bond) in order to allow for earlier disbursement of proceeds, including to incorporate a new loan amortization schedule related thereto, and other related actions;
2. ADOPT an Ordinance providing for the issuance of a replacement WIFIA Bond and amending the Los Angeles Administrative Code to establish a construction fund to receive proceeds of the WIFIA Bond, to be transmitted under separate cover by the City Attorney; and,
3. AUTHORIZE the City Administrative Officer to make technical corrections and adjustments as necessary to those transactions included in this report to implement the intent of the Mayor and City Council.

SUMMARY

The City Administrative Officer (CAO) requests authority to amend the existing Water Infrastructure Finance and Innovation Act (WIFIA) Loan Agreement between the City and the United States Environmental Protection Agency (EPA) (Original WIFIA Loan Agreement) executed in connection with the Los Angeles Wastewater System Subordinate Revenue Bond, Series 2021 (WIFIA) (WIFIA

Bond), in order to allow for earlier disbursement of proceeds of the WIFIA Bond, including incorporating a new loan amortization schedule. The Original WIFIA Loan Agreement was executed, and the related WIFIA Bond was issued, on September 23, 2021, to be used to finance and/or refinance a portion of the Donald C. Tillman Water Reclamation Plant Advanced Water Purification Facility (AWPF) Project (Project) costs. At that time, the City intended to utilize cash and/or interim financing to pay for Project costs, and then draw on the loan after substantial completion of the Project to reimburse or refinance those costs. Due to a revised funding plan for the Project, where proceeds of the WIFIA Bond would instead be used earlier in the Project's construction timeline to directly finance Project costs, the Original WIFIA Loan Agreement needs to be amended to incorporate an updated loan disbursement and loan amortization schedule (WIFIA Amendment). As a result, the City is also required to issue a replacement WIFIA Bond to conform with the amended loan amortization schedule that will be incorporated as part of the WIFIA Amendment.

All other material terms and provisions of the Original WIFIA Loan Agreement will remain unchanged, including the total principal amount of \$223,921,010 and the interest rate of 1.72 percent.

To proceed with the WIFIA Amendment, the City Council and Mayor will need to adopt the Twenty-Eighth Supplemental Subordinate General Resolution (Attachment A) which authorizes and approves amendments to the Twenty-Sixth Supplemental Subordinate General Resolution that originally authorized the issuance of the WIFIA Bond, the execution and delivery of the WIFIA Amendment, and other related actions.

The Mayor and City Council will also need to approve an Ordinance which provides for the issuance of a replacement WIFIA Bond and establishes a new construction fund to allow for the receipt and expenditure of proceeds of the WIFIA Bond to finance costs of the Project. This report has been prepared by the City Attorney and will be submitted separately.

The closing of this transaction is scheduled for the week of October 14, 2024.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund as a result of the proposed recommendations as these recommendations relate to amending an existing Water Infrastructure Finance and Innovation Act (WIFIA) Loan Agreement between the City and the United States Environmental Protection Agency (EPA) and all associated debt service of the replacement Los Angeles Wastewater System Subordinate Revenue Bond, Series 2021 (WIFIA) (WIFIA Bond) issued pursuant to this amended loan agreement will be paid solely from the Sewer Construction and Maintenance Fund. Additionally, the Los Angeles Department of Water and Power (LADWP) and the Bureau of Sanitation are jointly drafting a Memorandum of Agreement (MOA) for the construction, operation, and maintenance of the Donald C. Tillman Water Reclamation Plant Advanced Water Purification Facility Project (Project). While the MOA is still in the process of being finalized, the expectation is that LADWP will share in significant portions of these Project costs, including reimbursing the Sewer Construction and Maintenance Fund for all debt service payments associated with the WIFIA

Bond.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies in that debt service on the replacement WIFIA Bond will be paid from the Sewer Construction and Maintenance Fund.

DEBT IMPACT STATEMENT

There is no debt impact to the City's General Fund from the approval of the recommendations in this report as debt service on Wastewater System Revenue Bonds (including the replacement WIFIA Bond) are paid from the Sewer Construction and Maintenance Fund. Total debt service for the approximate \$224 million replacement WIFIA Bond is projected to be \$292 million, including \$68 million in interest, over 31 years at an interest rate of 1.72 percent. The City will only make interest payments until June 2028, at which point principal repayment will commence with level debt service payments thereafter of approximately \$10.1 million annually. Debt service amounts are estimated, as actual amounts will depend on the amounts and timing of disbursements of proceeds of the replacement WIFIA Bond.

FINDINGS

1. Background

The WIFIA Bond and the Original WIFIA Loan Agreement were previously approved by the City Council on September 1, 2021 and executed and delivered on September 23, 2021. At that time, the City intended to utilize cash and/or interim financing, such as commercial paper notes, to pay for Project costs, and then draw on the loan after substantial completion of the Project to reimburse or refinance those costs. Based on that assumption, the Original WIFIA Loan Agreement assumed disbursement of proceeds in 2027, after the Project's expected substantial completion date of September 30, 2027. On July 10, 2024, the Bureau of Sanitation (LASAN) submitted a letter to the EPA requesting to amend the disbursement schedule in the Original WIFIA Loan Agreement to reflect a revised funding plan for the Project to use proceeds from the WIFIA Bond earlier in the Project's construction timeline to directly finance Project costs. The EPA subsequently approved LASAN's request and has been working with the City to draft the WIFIA Amendment and related documents. Due to the revised disbursement and loan amortization schedule that will be incorporated as part of the WIFIA Amendment, the City is required to issue a replacement WIFIA Bond with a final maturity date that is one year shorter than the original bond issued, from June 1, 2056 to June 1, 2055.

Proceeds of the WIFIA Bond will be used to fund a portion of the costs of the Project, which consists of the following components, as defined in the Original WIFIA Loan Agreement:

- (a) a new AWWP treatment train to treat up to approximately nineteen (19) million gallons per day (MGD) of un-disinfected tertiary effluent from the Donald C. Tillman Water Reclamation Plant to produce up to approximately fifteen and a half (15.5) MGD of purified water suitable for groundwater replenishment via the Hansen Spreading Grounds;
- (b) new larger maintenance and warehouse facilities to support the growth of the Donald C. Tillman Water Reclamation Plant's additional processes and systems due to the Project and an ancillary warehouse to support the demolition of the existing maintenance and warehouse facilities; and,
- (c) one new primary equalization tank with a total volume of approximately 6.75 MGD of influent storage capacity to allow the AWWP to operate at a constant flow.

The WIFIA Amendment will result in overall cost savings to the Project by eliminating the need for interim financing and instead using WIFIA Bond proceeds directly for Project costs.

Water Infrastructure Finance and Innovation Act of 2014

The Water Infrastructure Finance and Innovation Act of 2014 established the WIFIA program, a federal credit program administered by the EPA for eligible water and wastewater infrastructure projects. Under this program, state and local governments can receive WIFIA financing for up to 49 percent of eligible project costs for regionally or nationally significant projects, at an interest rate that is based on the US Treasury rate of a similar maturity. The total principal amount for the City's

WIFIA Bond is \$223,921,010 and the interest rate is 1.72 percent.

Cost Sharing with the Los Angeles Department of Water and Power (LADWP)

LADWP and LASAN are jointly drafting a Memorandum of Agreement (MOA) for the construction, operation, and maintenance of the Project. While the MOA is still in the process of being finalized, the expectation is that LADWP will share in significant portions of these Project costs, including reimbursing SCM for all debt service payments associated with the WIFIA Bond.

2. Financing Team

Nixon Peabody LLP is serving as bond counsel for this transaction, previously approved by the Mayor and the City Council (C.F. 22-0248).

3. Required Documents

To proceed with the recommended transaction for the WIFIA Amendment, the City Council will need to adopt the Twenty-Eighth Supplemental Subordinate General Resolution (Attachment A), which provides for the authorization and approval of the following:

- Amendments to the Twenty-Sixth Supplemental Subordinate General Resolution which previously authorized the execution of the Original WIFIA Loan Agreement and the issuance of the WIFIA Bond, which changes are made to conform to the WIFIA Amendment;
- Approval of the WIFIA Amendment (Attachment B); and
- Execution of documents and additional actions in connection with the WIFIA Amendment.

An accompanying City Attorney report and draft ordinance, to be submitted under separate cover, will need to be approved to authorize the issuance of the replacement WIFIA Bond and amend the Los Angeles Administrative Code to establish the necessary construction fund to receive proceeds of the WIFIA Bond.

MWS:HTT:DMP:09250039

ATTACHMENTS

Attachment A – Twenty-Eighth Supplemental Subordinate Resolution
Attachment B – WIFIA Amendment

Attachment A – Twenty-Eighth Supplemental Subordinate Resolution

THE COUNCIL OF THE CITY OF LOS ANGELES

TWENTY-EIGHTH SUPPLEMENTAL RESOLUTION

Adopted by the Council of the City on
October __, 2024
and

SUPPLEMENTING THE
WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS GENERAL RESOLUTION
Which Was

Adopted by the Council of the City on
March 26, 1991

AND AUTHORIZING AND APPROVING AMENDMENTS TO THE TWENTY-SIXTH
SUPPLEMENTAL RESOLUTION AND RELATED ACTIONS

TWENTY-EIGHTH SUPPLEMENTAL RESOLUTION

TABLE OF CONTENTS

(This table of contents is not part of the Twenty-Eighth Supplemental Resolution and has been added only for convenience of reference. The captions herein are of no legal effect and do not vary the meaning or legal effect of any part of this Twenty-Eighth Supplemental Resolution.)

	<u>Page</u>
ARTICLE I DEFINITIONS; INTERPRETATION	2
Section 1.01. Definitions	2
ARTICLE II AMENDMENTS	3
Section 2.01. Designation of the Series 2021 WIFIA Bond; Principal Amount	3
Section 2.02. Notices to WIFIA Lender	4
Section 2.03. Application of Proceeds	4
Section 2.04. Article VI of the Twenty-Sixth Supplemental Resolution	4
ARTICLE III APPROVALS AND AUTHORIZATIONS	5
Section 3.01. Approval of WIFIA Loan First Amendment	5
Section 3.02. Approval of Execution of Replacement Series 2021 WIFIA Bond	5
Section 3.03. Execution of Documents; Additional Actions	5
ARTICLE IV MISCELLANEOUS	6
Section 4.01. Incorporation of Definitions in the Twenty-Sixth Supplemental Resolution ..	6
Section 4.02. Article and Section References	6
Section 4.03. Supplemental Resolution a Contract	6
Section 4.04. Severability	6
Section 4.05. Governing Law	6
Section 4.06. Captions	6
Section 4.07. Effective Date	6

TWENTY-EIGHTH SUPPLEMENTAL RESOLUTION

Providing for

Amendments to the Twenty-Sixth Supplemental Resolution

WHEREAS, the City Council (the “Council”) of the City of Los Angeles (the “City”) on November 10, 1987 adopted a resolution designated as the “Wastewater System Revenue Bonds General Resolution,” as amended and supplemented by supplemental resolutions thereto (collectively, the “General Resolution”), which sets forth the basic terms under which the City may issue wastewater system revenue bonds and which provides for a pledge of Revenues (as defined in the General Resolution) to secure all Bonds (defined below) issued thereunder; and

WHEREAS, the General Resolution provides that each Series of Bonds issued thereunder shall be authorized by, and the terms thereof set forth in, a Supplemental Resolution; and

WHEREAS, the Council, by resolution adopted on February 24, 1987, submitted to the qualified voters of the City the proposition of issuing bonds pursuant to the procedures set forth in the Revenue Bond Law of 1941, §54300 *et seq.* of the California Government Code (the “Revenue Bond Law”) for the purpose of financing a portion of a major wastewater system improvement program; and

WHEREAS, on June 8, 1999, the City adopted a new Charter of the City (the “Charter”), which Charter became operative on and as of July 1, 2000; and

WHEREAS, pursuant to Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”), the Council, exercising the powers reserved to the City under the Constitution of the State of California, and its powers under Section 361 of the Charter, may determine that revenue bonds, notes and other indebtedness or obligations (as defined in the Procedural Ordinance and as used for purposes of this preamble, “Bonds”) be issued as provided in the Procedural Ordinance for the purpose of financing project costs, refunding outstanding Bonds, establishing reserves and paying costs of issuance in connection with such Bonds, payable from the SCM Fund (as defined in the General Resolution), and the Procedural Ordinance shall provide a complete alternative method of issuing such Bonds without a vote of qualified voters in the City; and

WHEREAS, the Council on March 26, 1991 adopted a resolution designated as the “Wastewater System Subordinate Revenue Bonds General Resolution,” as amended and supplemented by supplemental resolutions thereto (collectively, the “Subordinate General Resolution”), which sets forth the basic terms under which the City may issue wastewater system subordinate revenue bonds and which provides for a pledge of Revenues to secure all Subordinate Bonds (as defined in the Subordinate General Resolution) issued thereunder on a basis subordinate to the Senior Lien Bonds (as defined in the Subordinate General Resolution) issued under the General Resolution; and

WHEREAS, the Subordinate General Resolution provides that additional Subordinate Bonds may be issued in one or more Series, and the City has previously authorized the issuance

of its Wastewater System Subordinate Revenue Bond, Series 2021 (WIFIA) (the “Series 2021 WIFIA Bond”), pursuant to the Twenty-Sixth Supplemental Resolution, adopted by the Council on September 1, 2021, supplementing the Subordinate General Resolution (the “Twenty-Sixth Supplemental Resolution”) for the purpose of (i) refunding all or a portion of any interim debt obligation, including bond anticipation notes, that may be issued to finance or refinance the WIFIA Project (the “Refunded Subordinate Bond”) and/or (ii) paying all or a portion of outstanding Commercial Paper Notes issued to finance the WIFIA Project; and

WHEREAS, certain terms of the Series 2021 WIFIA Bond are contained in the hereinafter defined WIFIA Loan Agreement;

WHEREAS, due to the revised funding plan for the WIFIA Project, the City desires to amend the Original WIFIA Loan Agreement to incorporate a revised loan amortization schedule, including a change to the final maturity date of the Series 2021 WIFIA Bond from June 1, 2056 to June 1, 2055;

WHEREAS, in connection with the amendments to the Original WIFIA Loan Agreement, the City desires to amend certain provisions of the Twenty-Sixth Supplemental Resolution to provide for the funding of any deposit into a WIFIA Construction Fund in an amount needed to pay direct costs of the WIFIA Project, in addition to the purpose of refunding to Refunded Subordinate Bond as previously authorized in the Twenty-Sixth Supplemental Resolution, and related provisions thereto; and

WHEREAS, Section 11.02 of the Subordinate General Resolution permits the City by supplemental resolution to amend and supplement the Subordinate General Resolution and any Supplemental Resolution thereto, provided that certain conditions set forth in Section 11.02 of the Subordinate General Resolution have been satisfied, and the City has been advised by Bond Counsel that the proposed terms of this Twenty-Eighth Supplemental Resolution do not materially adversely affect the interests of the Bondholders, including the amendments set forth herein; and

WHEREAS, the City has received an opinion of Bond Counsel in accordance with Section 11.02 of the Subordinate General Resolution; and

WHEREAS, the Twenty-Eighth Supplemental Resolution is adopted in accordance with the provisions of the Subordinate General Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City, as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.01. Definitions.

(a) Unless otherwise specifically provided in this Section, capitalized terms used in this Twenty-Eighth Supplemental Resolution shall have the meanings ascribed to them in the Twenty-Sixth Supplemental Resolution. The following definitions shall apply to terms used in this

Twenty-Eighth Supplemental Resolution unless the context clearly requires otherwise and shall be hereby added to Section 1.01 of the Twenty-Sixth Supplemental Resolution:

“Bureau of Sanitation Representative” means the General Manager of the Bureau of Sanitation or the Chief Financial Officer of the Bureau of Sanitation or any duly authorized designee thereof.

“Original WIFIA Loan Agreement” means the WIFIA Loan Agreement, by and between the City and the WIFIA Lender, dated as of September 23, 2021, providing for the purchase of the Series 2021 WIFIA Bond by the WIFIA Lender.

“Twenty-Sixth Supplemental Resolution” means the Twenty-Sixth Supplemental Resolution, adopted by the Council on September 1, 2021, as amended and supplemented by the Twenty-Eighth Supplemental Resolution, and as may be amended or supplemented from time to time. For the avoidance of doubt, all references to the Twenty-Sixth Supplemental Resolution shall mean the Twenty-Sixth Supplemental Resolution, as amended and supplemented.

“WIFIA Loan First Amendment” means the Amendment No. 1 to the Original WIFIA Loan Agreement, by and between the City and the WIFIA Lender, amending certain provisions of the Original WIFIA Loan Agreement.

(b) The following definitions in Section 1.01 of the Twenty-Sixth Supplemental Resolution are hereby amended as follows:

“Authorized Denominations” means denominations of \$5,000 and integral multiples thereof, except that there may be one denomination, if necessary, from time to time in an amount equal to the difference between the Outstanding WIFIA Loan Balance and the nearest whole multiple of \$5,000.

“WIFIA Construction Fund” means the funds created pursuant to Section 6.01 hereof and has the meaning provided in the WIFIA Loan Agreement.

“WIFIA Loan Agreement” means the Original WIFIA Loan Agreement, as amended by the WIFIA Loan First Amendment, and any future amendment thereto.

ARTICLE II

AMENDMENTS

Section 2.01. Designation of the Series 2021 WIFIA Bond; Principal Amount. The second sentence of Section 3.01 of the Twenty-Sixth Supplemental Resolution shall be amended to be read in full as follows:

The aggregate principal amount of the Series 2021 WIFIA Bond issued pursuant to this Twenty-Sixth Supplemental Resolution to finance the WIFIA Project, including to pay Commercial Paper Notes, refund the

Refunded Subordinate Bond, and/or make deposits into the 2021 Construction Fund shall not exceed \$223,921,010.

Section 2.02. Notices to WIFIA Lender. Section 4.01 of the Twenty-Sixth Supplemental Resolution shall be amended to be read in full as follows:

Prior to the optional redemption of the Series 2021 WIFIA Bond in accordance with Section 4.02 of this Twenty-Sixth Supplemental Resolution, or the mandatory redemption of the Series 2021 WIFIA Bonds in accordance with Section 4.03 of this Twenty-Sixth Supplemental Resolution, the City shall provide the applicable notices to the WIFIA Lender as set forth in Section 9(b) or Section 9(a) of the WIFIA Loan Agreement, as relevant.

Each notice of redemption of the Series 2021 WIFIA Bonds shall be sent to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System at <http://emma.msrb.org/> within ten (10) Business Days after such redemption is completed.

Section 2.03. Application of Proceeds. Section 5.01 of the Twenty-Sixth Supplemental Resolution shall be amended to be read in full as follows:

The proceeds of the Series 2021 WIFIA Bond received by the City shall be applied by the City in accordance with the WIFIA Loan Agreement for the following purposes and in such amounts and in such manner as directed by the City:

- (a) the amount needed to refund the Refunded Subordinate Bond shall be transferred to the paying agent for the Refunded Subordinate Bond and used to pay the Refunded Subordinate Bond;
- (b) the amount needed to pay the Commercial Paper Notes when due shall be transferred to the issuing and paying agent for the Commercial Paper Notes and deposited into the Commercial Paper Notes Debt Service Fund and used to pay the Commercial Paper Notes; and/or
- (c) the amount of such proceeds designated to finance the WIFIA Project shall be deposited in the WIFIA Construction Fund.

Section 2.04. Article VI of the Twenty-Sixth Supplemental Resolution. Article VI of the Twenty-Sixth Supplemental Resolution shall be amended to revise the caption of the Article and to add a new Section 6.01 as follows. The current Section 6.01 relating to the Debt Service Fund shall be renumbered as Section 6.02.

ARTICLE VI

FUNDS

Section 6.01. WIFIA Construction Fund. The City will, by ordinance, create one or more separate funds within the City Treasury, designated as (a) the Wastewater System Subordinate Revenue Bond, Series 2021 (WIFIA) Accounting Fund and (b) the Wastewater System Subordinate Revenue Bond Construction Fund, Series 2021 (WIFIA) (with such further designation, if applicable, or as otherwise designated by the City, all as the City deems appropriate), which separate funds together constitute the WIFIA Construction Fund, to finance or refinance costs of the WIFIA Project, and the City shall, if applicable, deposit proceeds of the Series 2021 WIFIA Bond into the WIFIA Construction Fund as set forth in Section 5.01(c) above.

ARTICLE III

APPROVALS AND AUTHORIZATIONS

Section 3.01. Approval of WIFIA Loan First Amendment. The WIFIA Loan First Amendment in substantially the form before this Council is hereby approved. The City Administrative Officer and the Bureau of Sanitation Representative are hereby authorized to execute and enter into the WIFIA Loan First Amendment with the WIFIA Lender, in substantially the form presented to this Council, with such changes as said City Administrative Officer and Bureau of Sanitation Representative, upon the advice of the City Attorney, deem necessary and appropriate. The signature of any City Administrative Officer and Bureau of Sanitation Representative shall be sufficient to bind the City and cause the WIFIA Loan First Amendment to be a valid and binding obligation of the City.

Section 3.02. Approval of Execution of Replacement Series 2021 WIFIA Bond. In connection with the WIFIA Loan First Amendment, this Council hereby approves the execution and delivery of a replacement Series 2021 WIFIA Bond, in substantially the form set forth in Exhibit A of the Twenty-Sixth Supplemental Resolution, with such additions, deletions and modifications as shall be necessary or appropriate to conform such form to the terms of the Series 2021 WIFIA Bond, including to reflect a revised final maturity date of June 1, 2055.

Section 3.03. Execution of Documents; Additional Actions. The City Administrative Officer and the Bureau of Sanitation Representative are hereby authorized to execute any documents necessary, and to execute such certificates and other closing documents, and such other instruments or documents as are necessary or appropriate to consummate the transactions contemplated by this Twenty-Eighth Supplemental Resolution and to carry out the intent hereof. The City Administrative Officer and the Bureau of Sanitation Representative are authorized and directed to do any and all things and to take any and all further actions to carry out the intent hereof.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Incorporation of Definitions in the Twenty-Sixth Supplemental Resolution. Except as otherwise provided in Section 1.01 hereof, all words, terms and phrases defined in the Twenty-Sixth Supplemental Resolution shall have the same meanings in this Twenty-Eighth Supplemental Resolution as in the Twenty-Sixth Supplemental Resolution. Except as otherwise provided in any Supplemental Resolution hereafter adopted, all terms which are defined in this Twenty-Eighth Supplemental Resolution, unless the context otherwise requires, shall have the same meanings in such Supplemental Resolution as in this Twenty-Eighth Supplemental Resolution.

Section 4.02. Article and Section References. Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this Twenty-Eighth Supplemental Resolution.

Section 4.03. Supplemental Resolution a Contract. This Twenty-Eighth Supplemental Resolution), together with the Twenty-Sixth Supplemental Resolution and the Subordinate General Resolution, is adopted by the City for the benefit of the Bondholders and together they constitute a contract with the Subordinate Bondholders.

Section 4.04. Severability. If any provision of the Twenty-Eighth Supplemental Resolution shall be determined to be unenforceable, that shall not affect any other provision of this Twenty-Eighth Supplemental Resolution.

Section 4.05. Governing Law. This Twenty-Eighth Supplemental Resolution shall be governed by and construed in accordance with the laws of the State.

Section 4.06. Captions. The captions in this Twenty-Eighth Supplemental Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Twenty-Eighth Supplemental Resolution.

Section 4.07. Effective Date. This Twenty-Eighth Supplemental Resolution shall take effect from and upon its adoption.

Approved as to Form

HYDEE FELDSTEIN SOTO, City Attorney

By:  _____
Deputy City Attorney

Attachment B – WIFIA Amendment

AMENDMENT NO. 1

dated as of [____], 2024

between

**UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY**

and

CITY OF LOS ANGELES

in connection with the

**WIFIA Loan Agreement dated as of September 23, 2021, between the
United States Environmental Protection Agency, acting by and
through the Administrator of the Environmental Protection Agency,
and the City of Los Angeles, for the D.C. Tillman Advanced Water
Purification Facility Project (WIFIA ID – N18109CA)**

AMENDMENT NO. 1

THIS AMENDMENT NO. 1 (this “**Amendment**”), dated as of [___], 2024 is by and between **CITY OF LOS ANGELES**, a municipal corporation and charter city of the State of California, with an address at 200 North Main Street, Room 1500, Los Angeles, California 90012 (the “**Borrower**”), and the **UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency (the “**Administrator**”), with an address at 1200 Pennsylvania Avenue NW, Washington, DC 20460 (the “**WIFIA Lender**”).

RECITALS:

WHEREAS, pursuant to the Water Infrastructure Finance and Innovation Act (“**WIFIA**”), § 5021 *et seq.* of Public Law 113-121 (as amended, and as may be further amended from time to time, the “**Act**”), which is codified as 33 U.S.C. §§ 3901-3915, the WIFIA Lender is authorized to enter into agreements to provide financial assistance with one or more eligible entities to make secured loans with appropriate security features to finance a portion of the eligible costs of projects eligible for assistance;

WHEREAS, the Borrower and the WIFIA Lender entered into that certain WIFIA Loan Agreement (WIFIA ID – N18109CA), dated as of September 23, 2021 (the “**WIFIA Loan Agreement**”), for the provision of a WIFIA Loan (as defined in the WIFIA Loan Agreement) in a principal amount not to exceed two hundred twenty three million nine hundred twenty one thousand ten Dollars (\$223,921,010) to be used to pay a portion of the Eligible Project Costs (as defined in the WIFIA Loan Agreement) related to the Project (as defined in the WIFIA Loan Agreement);

WHEREAS, the parties hereto have agreed to make certain amendments to the WIFIA Loan Agreement as set forth below; and

WHEREAS, the WIFIA Lender has entered into this Amendment in reliance upon, among other things, the information and representations of the Borrower set forth in this Amendment and the supporting information provided by the Borrower.

NOW THEREFORE, the parties to this Amendment hereby agree as follows:

Section 1. Definitions.

Except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings specified in the WIFIA Loan Agreement.

Section 2. Amendments.

Each of the parties hereto hereby agree to amend the WIFIA Loan Agreement, as follows:

(a) Section 1 (*Definitions*) of the WIFIA Loan Agreement is hereby amended as follows:

(i) The definition of “Anticipated WIFIA Loan Disbursement Schedule” is hereby amended and restated in its entirety as follows:

“**Anticipated WIFIA Loan Disbursement Schedule**” means the disbursement schedule set forth in **Exhibit F** (*WIFIA Debt Service*), reflecting the anticipated disbursement of proceeds of the WIFIA Loan, as such schedule may be amended from time to time pursuant to Section 4(d) (*Disbursement Conditions; Quarterly Approval of Eligible Project Costs*).”

(ii) The definition of “Final Maturity Date” is hereby amended and restated in its entirety as follows:

“**Final Maturity Date**” means the earlier of (a) June 1, 2055 (or such earlier date as is set forth in an updated Loan Amortization Schedule pursuant to Section 8(f) (*Payment of Principal and Interest – Adjustments to Loan Amortization Schedule*)); and (b) the Principal Payment Date immediately preceding the date that is thirty-five (35) years following the Substantial Completion Date.”

(iii) The definition of “Loan Amortization Schedule” is hereby amended and restated in its entirety as follows:

“**Loan Amortization Schedule**” means the loan amortization schedule set forth in **Exhibit F** (*WIFIA Debt Service*), as amended from time to time in accordance with Section 8(f) (*Payment of Principal and Interest – Adjustments to Loan Amortization Schedule*).”

(iv) The definition of “Level Payment Commencement Date” is hereby amended and restated in its entirety as follows:

“**Level Payment Commencement Date**” means the date that is set forth as the “Initial Principal Payment Date” on the Loan Amortization Schedule.”

(v) The definition of “WIFIA Construction Fund” is hereby amended and restated in its entirety as follows:

“**WIFIA Construction Fund**” means, collectively, the construction funds of the Borrower established pursuant to the WIFIA Ordinance, consisting of (a) the Wastewater System Subordinate Revenue Bond, Series 2021 (WIFIA) Accounting Fund (W93), to be used in connection with any refinancing of Eligible Project Costs for the Project and (b) the Wastewater System Subordinate

Revenue Bond Construction Fund, Series 2021 (WIFIA), to be used in connection with financing Eligible Project Costs for the Project.”

(vi) The definition of “WIFIA Ordinance” is hereby amended and restated in its entirety as follows:

“**“WIFIA Ordinance”** means Ordinance No. 187188 passed by the Council on September 1, 2021 and Ordinance No. [] passed by the Council on [], 2024, providing for the issuance of the WIFIA Bond and the addition to the Los Angeles Administrative Code of the WIFIA Debt Service Fund and the WIFIA Construction Fund.”

(vii) The definition of “WIFIA Supplemental Resolution” is hereby amended and restated in its entirety as follows:

“**“WIFIA Supplemental Resolution”** means the Twenty-Sixth Supplemental Resolution of the Borrower, adopted by the Council on September 1, 2021, as amended and supplemented by the Twenty-Eighth Supplemental Resolution of the Borrower, adopted by the Council on [], 2024, authorizing and approving the issuance of the WIFIA Bond, the execution and delivery of the WIFIA Loan Agreement and related actions.”

(b) Section 4(d) (*Disbursement Conditions; Quarterly Approval of Eligible Project Costs*) is hereby amended and restated in its entirety as follows:

“(d) Subject to this Section 4, any scheduled disbursement (as reflected in the Anticipated WIFIA Loan Disbursement Schedule) that remains undrawn as of its scheduled date shall automatically be available for the next scheduled disbursement date, up to the Final Disbursement Date, with the effect of automatically updating the Anticipated WIFIA Loan Disbursement Schedule without need for the WIFIA Lender’s approval. The Borrower may also amend the Anticipated WIFIA Loan Disbursement Schedule by submitting a revised version thereof to the WIFIA Lender no later than thirty (30) days prior to the proposed effective date of such amendment, together with a detailed explanation of the reasons for such revisions. Such revised Anticipated WIFIA Loan Disbursement Schedule shall become effective upon the WIFIA Lender’s approval thereof, which approval shall be granted in the WIFIA Lender’s sole discretion.”

(c) Exhibit A (*Form of WIFIA Bond*) to the WIFIA Loan Agreement is hereby amended by deleting the fourth line relating to the Final Maturity Date and replacing it with the following:

“**Due:** June 1, 2055”

(d) Exhibit B (*Anticipated WIFIA Loan Disbursement Schedule*) to the WIFIA Loan Agreement is hereby replaced with Annex I attached hereto and renamed as “Exhibit B (*Reserved*)”.

(e) Exhibit F (*WIFIA Debt Service*) to the WIFIA Loan Agreement is hereby replaced with Annex II attached hereto.

Section 3. Additional Documents.

In connection with the execution and delivery of this Amendment, the Borrower shall have delivered to the WIFIA Lender the following documents:

(a) an executed replacement WIFIA Bond, substantially in the form of Exhibit A, as amended by this Amendment (the “**Replacement WIFIA Bond**”);

(b) a full, true and correct copy of the Ordinance No. [] passed by the Council on [], 2024 (the “**2024 WIFIA Ordinance**”);

(c) a full, true and correct copy of the Twenty-Eighth Supplemental Resolution (the “**Twenty-Eighth Supplemental Resolution**” and together with the Replacement WIFIA Bond and the 2024 WIFIA Ordinance, the “**Amended Borrower Documents**”);

(d) the following legal opinions addressed and delivered to the WIFIA Lender: (i) a legal opinion by bond counsel to the Borrower (A) containing the opinions required pursuant to Section 11.02 of the Subordinate Resolution and (B) to the same effect of the opinions contained in bond counsel’s opinion letter dated September 23, 2021, with respect to the WIFIA Loan Documents, as amended by the Amended Borrower Documents; and (ii) a legal opinion by counsel to the Borrower to the same effect of the opinions contained in counsel’s opinion letter dated September 23, 2021, with respect to the WIFIA Loan Documents, as amended by the Amended Borrower Documents; and

(e) evidence satisfactory to the WIFIA Lender of the establishment by the Borrower of the Wastewater System Subordinate Revenue Bond Construction Fund, Series 2021 (WIFIA), which fund is part of the WIFIA Construction Fund.

Section 4. Representations and Warranties.

The Borrower hereby represents and warrants that (a) the execution and delivery of this Amendment and the Amended Borrower Documents have been duly authorized; (b) this Amendment and the Replacement WIFIA Bond constitutes its legal, valid and binding obligation, enforceable in accordance with its terms; (c) the execution, delivery and performance of this Amendment and the Amended Borrower Documents do not conflict with any provision of its charter or applicable law; (d) the information it has provided to the WIFIA Lender in connection with this Amendment is true and correct in all material respects and does not omit any information related to the matters contemplated in this Amendment, the omission of which makes such information materially misleading in any respect; (e) as of the date hereof, there is no Default or Event of Default, or any event that, with the giving of notice and/or the passage of time, would constitute a Default or Event of Default, that has occurred and is continuing; and (f) each Amended Borrower Document is complete, fully executed and in full force and effect.

Section 5. Miscellaneous.

(a) Each of the parties hereto agree that:

(i) this Amendment amends and supplements the WIFIA Loan Agreement and is entered into in accordance with Section 24 (*Amendments and Waivers*) of the WIFIA Loan Agreement;

(ii) any reference in any of the WIFIA Loan Documents, or in any agreement, document or instrument contemplated thereby, to the WIFIA Loan Agreement shall be deemed to be a reference to the WIFIA Loan Agreement as amended by this Amendment;

(iii) the terms and conditions of the WIFIA Loan Agreement shall continue in full force and effect unchanged, except as expressly amended by this Amendment;

(iv) except as expressly provided in this Amendment, no provision of this Amendment shall be deemed (A) to be a consent, waiver, supplement to or modification of the term or any condition of the WIFIA Loan Agreement, any other WIFIA Loan Document or any of the instruments referred to therein, or (B) to prejudice any rights or remedies which the WIFIA Lender may have now or in the future under or in connection with the WIFIA Loan Agreement as amended by this Amendment, or any other WIFIA Loan Document; and

(v) this Amendment and each Amended Borrower Document shall be a WIFIA Loan Document.

(b) The provisions of Sections 18 (*Disclaimer of Warranty*) through (and including) Section 32 (*Indemnification*) of the WIFIA Loan Agreement are incorporated herein and shall apply herein, *mutatis mutandis*, as if set out in this Amendment in full (and as if each reference therein to “this Agreement” were, or included (as applicable), a reference to this Amendment.

(c) This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. Electronic signatures are effective, valid and enforceable for any counterpart to this Amendment executed by the parties hereto. Electronic delivery of an executed counterpart of a signature page of this Amendment or of any document or instrument delivered in connection herewith in accordance with Section 31 (*Notices*) of the WIFIA Loan Agreement shall be effective as delivery of an original executed counterpart of this Amendment or such other document or instrument, as applicable.

(d) This Amendment shall be effective as of the date set forth on the first page of this Amendment.

[Signature pages follow on next page]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

CITY OF LOS ANGELES,
a Municipal Corporation

By signing below, the signatory attests that they have
no personal, financial, beneficial or familial interest
in this contract

By: _____
Name: Benjamin Ceja
Title: Assistant City Administrative Officer

BUREAU OF SANITATION OF THE CITY OF
LOS ANGELES

By: _____
Name: Barbara Romero
Title: Director and General Manager

APPROVED AS TO FORM:

HYDEE FELDSTEIN SOTO, City Attorney

By: _____
Deputy City Attorney

**UNITED STATES ENVIRONMENTAL
PROTECTION AGENCY**, acting by and
through the Administrator of the
Environmental Protection Agency

By: _____

Name: Jorianne Jernberg

Title: Director, WIFIA Program

ANNEX I

EXHIBIT B

[Reserved]

[Annex I]

ANNEX II

EXHIBIT F

WIFIA DEBT SERVICE

[Attached]

Closing Date	9/23/2021
Loan Amount	\$ 223,921,010.00
Interest rate	1.72%
Weighted Avg Life (years-months)	18-4

Debt Service Payment Commencement Date	12/1/2024
Initial Principal Payment Date	6/1/2028
Final Maturity Date	6/1/2055

Period Start Date	Period End Date	Period Payment Date	Period Repayment Type	Disbursements in Period	Capitalized Interest	Interest Payment	Principal Repayment	% of Maximum Principal Outstanding	Semi-annual Debt Service Payment	Ending Balance
9/23/2021	11/30/2021	12/1/2021	No Payment	\$0.00	\$0.00	\$0.00	\$0.00	N/A	\$0.00	\$0.00
12/1/2021	5/31/2022	6/1/2022	No Payment	\$0.00	\$0.00	\$0.00	\$0.00	N/A	\$0.00	\$0.00
6/1/2022	11/30/2022	12/1/2022	No Payment	\$0.00	\$0.00	\$0.00	\$0.00	N/A	\$0.00	\$0.00
12/1/2022	5/31/2023	6/1/2023	No Payment	\$0.00	\$0.00	\$0.00	\$0.00	N/A	\$0.00	\$0.00
6/1/2023	11/30/2023	12/1/2023	No Payment	\$0.00	\$0.00	\$0.00	\$0.00	N/A	\$0.00	\$0.00
12/1/2023	5/31/2024	6/1/2024	No Payment	\$0.00	\$0.00	\$0.00	\$0.00	N/A	\$0.00	\$0.00
6/1/2024	11/30/2024	12/1/2024	Interest Only Total	\$48,700,000.00	\$0.00	\$151,288.34	\$0.00	N/A	\$151,288.34	\$48,700,000.00
12/1/2024	5/31/2025	6/1/2025	Interest Only Total	\$85,100,000.00	\$0.00	\$743,111.68	\$0.00	N/A	\$743,111.68	\$133,800,000.00
6/1/2025	11/30/2025	12/1/2025	Interest Only Total	\$90,121,010.00	\$0.00	\$1,656,506.96	\$0.00	N/A	\$1,656,506.96	\$223,921,010.00
12/1/2025	5/31/2026	6/1/2026	Interest Only Total	\$0.00	\$0.00	\$1,925,720.69	\$0.00	N/A	\$1,925,720.69	\$223,921,010.00
6/1/2026	11/30/2026	12/1/2026	Interest Only Total	\$0.00	\$0.00	\$1,925,720.69	\$0.00	N/A	\$1,925,720.69	\$223,921,010.00
12/1/2026	5/31/2027	6/1/2027	Interest Only Total	\$0.00	\$0.00	\$1,925,720.69	\$0.00	N/A	\$1,925,720.69	\$223,921,010.00
6/1/2027	11/30/2027	12/1/2027	Interest Only Total	\$0.00	\$0.00	\$1,925,720.69	\$0.00	N/A	\$1,925,720.69	\$223,921,010.00
12/1/2027	5/31/2028	6/1/2028	Level Payment (annual p, semiannual i)	\$0.00	\$0.00	\$1,925,720.69	\$6,292,716.16	N/A	\$8,218,436.85	\$217,628,293.84
6/1/2028	11/30/2028	12/1/2028	Interest Only Total	\$0.00	\$0.00	\$1,871,603.33	\$0.00	N/A	\$1,871,603.33	\$217,628,293.84
12/1/2028	5/31/2029	6/1/2029	Level Payment (annual p, semiannual i)	\$0.00	\$0.00	\$1,871,603.33	\$6,400,950.88	N/A	\$8,272,554.21	\$211,227,342.96
6/1/2029	11/30/2029	12/1/2029	Interest Only Total	\$0.00	\$0.00	\$1,816,555.15	\$0.00	N/A	\$1,816,555.15	\$211,227,342.96
12/1/2029	5/31/2030	6/1/2030	Level Payment (annual p, semiannual i)	\$0.00	\$0.00	\$1,816,555.15	\$6,511,047.24	N/A	\$8,327,602.39	\$204,716,295.72
6/1/2030	11/30/2030	12/1/2030	Interest Only Total	\$0.00	\$0.00	\$1,760,560.15	\$0.00	N/A	\$1,760,560.15	\$204,716,295.72
12/1/2030	5/31/2031	6/1/2031	Level Payment (annual p, semiannual i)	\$0.00	\$0.00	\$1,760,560.15	\$6,623,037.25	N/A	\$8,383,597.40	\$198,093,258.47
6/1/2031	11/30/2031	12/1/2031	Interest Only Total	\$0.00	\$0.00	\$1,703,602.03	\$0.00	N/A	\$1,703,602.03	\$198,093,258.47
12/1/2031	5/31/2032	6/1/2032	Level Payment (annual p, semiannual i)	\$0.00	\$0.00	\$1,703,602.03	\$6,736,953.49	N/A	\$8,440,555.52	\$191,356,304.98
6/1/2032	11/30/2032	12/1/2032	Interest Only Total	\$0.00	\$0.00	\$1,645,664.23	\$0.00	N/A	\$1,645,664.23	\$191,356,304.98
12/1/2032	5/31/2033	6/1/2033	Level Payment (annual p, semiannual i)	\$0.00	\$0.00	\$1,645,664.23	\$6,852,829.09	N/A	\$8,498,493.32	\$184,503,475.89
6/1/2033	11/30/2033	12/1/2033	Interest Only Total	\$0.00	\$0.00	\$1,586,729.90	\$0.00	N/A	\$1,586,729.90	\$184,503,475.89
12/1/2033	5/31/2034	6/1/2034	Level Payment (annual p, semiannual i)	\$0.00	\$0.00	\$1,586,729.90	\$6,970,697.75	N/A	\$8,557,427.65	\$177,532,778.14
6/1/2034	11/30/2034	12/1/2034	Interest Only Total	\$0.00	\$0.00	\$1,526,781.90	\$0.00	N/A	\$1,526,781.90	\$177,532,778.14
12/1/2034	5/31/2035	6/1/2035	Level Payment (annual p, semiannual i)	\$0.00	\$0.00	\$1,526,781.90	\$7,090,593.75	N/A	\$8,617,375.65	\$170,442,184.39
6/1/2035	11/30/2035	12/1/2035	Interest Only Total	\$0.00	\$0.00	\$1,465,802.79	\$0.00	N/A	\$1,465,802.79	\$170,442

Total	\$223,921,010.00	\$0.00	\$68,443,470.13	\$223,921,010.00	\$292,364,480.13
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No Payment: Interest in the period is capitalized and added to the outstanding principal balance. // Interest Only Total: Interest is paid as it accrues. // Level Payment (semiannual): Level semiannual payments of principal and interest. // Level Payment (annual p , semiannual i): This option makes the sum of one annual principal and two semiannual interest payments constant (i.e., level). // Level Payment (one payment per year): This option makes level annual payments of principal and interest and capitalizes the interest in the non-payment periods. // Fixed Principal (%): Fixed amount in a period is paid and interest is paid as it accrues. // Fixed Principal (%): Fixed % of total max outstanding principal (i.e., draws + capitalized interest) in a period is paid and interest is paid as it accrues.