



RESOLUTION NO. _____

BOARD LETTER APPROVAL

A handwritten signature in black ink, appearing to read "Anselmo G. Collins".

ANSELMO G. COLLINS
Senior Assistant General Manager
Water System

A handwritten signature in black ink, appearing to read "Aram Benyamini".
Aram Benyamini (Jul 24, 2024 14:15 PDT)

ARAM BENYAMIN
Chief Operating Officer

A handwritten signature in black ink, appearing to read "Janisse Quiñones".

JANISSE QUIÑONES
Chief Executive Officer and Chief Engineer

DATE: July 11, 2024

SUBJECT: Closing Resolution for Safe Drinking Water State Revolving Loan Fund
Construction Financing for City Trunk Line North Unit 1

SUMMARY

Water System requests approval of the closing resolution required to enter into an agreement for low-interest financing from the California State Water Resources Control Board's (SWRCB) Safe Drinking Water State Revolving Fund (DWSRF) for City Trunk Line North Unit 1 (Project).

The Board of Water and Power Commissioners (Board) previously approved Resolutions 021 212 and 024 059, authorizing Water System to enter into a DWSRF financing agreement and establishing the eligibility of specified Project costs for DWSRF reimbursement. SWRCB requires the DWSRF recipient's governing authority to adopt a resolution accepting the financing agreement and designate the parties responsible for execution and administration of the agreement. This closing resolution is required for final execution of the DWSRF financing agreement. DWSRF will provide up to \$139,000,000 in low-interest financing for the Project and will result in an estimated \$54,021,712 in total interest savings.

City Council approval is not required.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners adopt the attached Resolution authorizing the Water System to execute a DWSRF financing agreement with the State Water Board for the Project.

ALTERNATIVES CONSIDERED

Declining to approve the closing resolution will render LADWP unable to enter into a DWSRF financing agreement for the Project.

Water Revenue Bonds are the alternative financing mechanism for capital improvement projects. The current interest rate for 30-year-tax exempt bonds is 4.074 percent. Should the Water System finance the Project via Water Revenue Bonds, the total Project cost, including interest payments, will be \$242,078,986. By contrast, utilizing DWSRF financing will bring the total Project cost, including interest payments, to \$188,057,274.

FINANCIAL INFORMATION

DWSRF financing will result in a positive fiscal benefit to LADWP because it will provide low-interest (2.10 percent) financing for the Project, with a repayment period of up to 30 years. Repayment commences one year after funded projects are certified to be complete. Total estimated interest savings from this DWSRF agreement, based on the current tax-exempt bond rates, is \$54,021,712.

BACKGROUND

The Federal Safe Drinking Water Act Amendments of 1996 authorized the creation of DWSRF to provide low-interest loans and other assistance to public water systems. DWSRF, which is administered by the State Water Board, is a self-perpetuating fund and is used to ensure public health protection and compliance with drinking water standards. Applications to DWSRF are accepted on a continuous basis.

Since 1999, LADWP has been awarded a total of \$1,238,125,946 from DWSRF, including \$45,000,000 in grants from the American Recovery and Reinvestment Act of 2009, and \$14,400,000 in grants from the base DWSRF.

Water System submitted a DWSRF construction financing application for the Project in June 2020. Pursuant to guidelines of the DWSRF program, prior to execution of a financing agreement, a Board Resolution is required to accept the financing agreement and to designate the parties responsible for execution and administration of the agreement.

ENVIRONMENTAL DETERMINATION

Determine item is in compliance with California Environmental Quality Act (CEQA) Guidelines Sections 15070-15075 (Mitigated Negative Declaration [MND] adopted on May 28, 2019). In accordance with CEQA, a MND was prepared to analyze the impacts associated with the construction and operation of the City Trunk Line North Project. On May 28, 2019, the Board adopted the MND and Mitigation Monitoring and Reporting Program and approved the project.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENTS

- Resolution