



RESOLUTION NO. \_\_\_\_\_

**BOARD LETTER APPROVAL**

*Ann M. Santilli*  
Ann M. Santilli (Jan 29, 2025 13:50 PST)

**ANN M. SANTILLI**  
Chief Financial Officer

A handwritten signature in black ink, appearing to read "Janisse Quiñones", written over a horizontal line.

**JANISSE QUIÑONES**  
Chief Executive Officer and Chief Engineer

**DATE:** January 29, 2025

**SUBJECT:** Trust Funds Investment Policy for LADWP

**SUMMARY**

LADWP directly manages certain funds, apart from the primary water and power revenue funds that are managed by the City of Los Angeles (City). LADWP manages these funds in accordance with a Trust Funds Investment Policy (Investment Policy) that is based on Sections 53600 through 53686 of the California Government Code (Government Code). The Government Code allows local government agencies such as LADWP to invest their funds/revenues in a broad array of fixed-income securities.

The attached resolution approves the Investment Policy. The Investment Policy requires annual adoption by the Board of Water and Power Commissioners (Board). The Investment Policy currently in effect was approved by the Board on March 26, 2024. Financial Services Organization reviewed the current Investment Policy and recommended it to LADWP's Investment Committee (Committee) without any changes, aside from a clerical edit to move a word within a sentence for clarity. The Committee approved the Investment Policy during its meeting held on February 11, 2025. The Committee was composed of a Board Commissioner, the Chief Executive Officer and Chief Engineer, the Chief Financial Officer, and the City Controller's designee.

City Council approval is not required.

**RECOMMENDATION**

It is recommended that the Board adopt the attached Resolution authorizing the Investment Policy.

## **FINANCIAL INFORMATION**

There is no cost to this action of adopting the Investment Policy. The Investment Policy remains in effect until amended.

## **BACKGROUND**

LADWP maintains certain special-purpose funds and trust accounts which are outlined below (collectively, Trust Funds). These include:

<b>Fund or Trust*</b>	<b>Purpose</b>	<b>Value as of 9/30/24</b>	<b>Average Duration of Investments (in years) as of 9/30/24</b>
Electric Plant Revenue Bond Reduction Escrow Fund	Established for debt restructuring, while serving in lieu of a bond Debt Service Reserve Fund. Could only be used to pay debt-related costs and expenses. Use could trigger tax events and rating actions.	\$526.9 million	2.78
Palo Verde Nuclear Decommissioning Trust Funds I and II	Required by the Nuclear Regulatory Commission and the Palo Verde Project Participation Agreement. Funds are set aside to provide for direct participation in the decommissioning of the Palo Verde Nuclear Generating Station in 2047.	\$162.6 million	2.96
Water Expense Stabilization Fund	Authorized under the Master Bond Resolution. Fund may be used for any lawful purpose in connection with the Water System including O&M, debt service, cost of debt issuance, and capital improvements. Fund is used to absorb unforeseen expenses and mitigate adverse rate impacts.	\$58.1 million	2.85
Natural Gas Trust Fund	Used to promptly post margin or collateral and pay settlements, fees and expenses in connection with natural gas hedging transactions.	\$16.8 million	0.00
CAISO Markets Trust Fund	Used to facilitate timely and efficient settling of CAISO energy market transaction invoices.	\$10.5 million	0.00
Treatment Storage and Disposal Facility Trust Fund	Required by State of California. Fund provides financial assurance for environmental cleanup related to closure of Main Street facilities.	\$2.6 million	3.03

\*LADWP provides regular reporting on these funds in the monthly financial reports and in quarterly investment performance reports to the Board.

LADWP directly manages the investments for these funds, in contrast with the dollars in the Power Revenue Fund and Water Revenue Fund, which are managed, along with other City Departments' funds, by the City Office of Finance in a pooled investment program.

LADWP maintains an Investment Policy, first established in March 1997 through Board Resolution No. 97-185, that is based on the Government Code and governs the management of these Trust Funds and any other special-purpose trust or escrow funds established by the Board unless otherwise exempted. The Investment Policy sets forth the investment objectives and constraints under which LADWP aims to preserve the principal value of the Trust Funds, maintain liquidity, and achieve investment income through consistent, safe, and prudent investment practices.

The Investment Policy is being submitted to the Board without substantive amendments to the current Investment Policy.

### **ENVIRONMENTAL DETERMINATION**

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060(c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378(b)(4) states that government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment do not meet that definition. Therefore, the approval of a trust funds investment policy is not an action subject to CEQA.

### **CITY ATTORNEY**

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

### **ATTACHMENTS**

- Resolution
- Investment Policy