



Text File

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Bill No: 2009-1243, **Version:** 2

Committee: Committee on Intergovernmental Affairs

Status: Defeated

Resolution authorizing an Independent, Credentialed, Third-Party Review of the 2008 Pittsburgh Water and Sewer Authority Variable Rate Bond Swap Deal and 2006 bond refinancing at a cost not to exceed fifteen thousand dollars (\$15,000) and providing for the payment thereof.

Whereas, in 2008 the Pittsburgh Water and Sewer Authority (PWSA) sold \$320m in variable rate bonds; and

Whereas, these bonds exposed PWSA ratepayers to at least the following areas of risk:

- Variable Rates
- Annual renewal of Liquidity Facility
- Bankruptcy
- SWAPs
- Credit rating of the SWAP providers
- SWAP providers failing to pay
- Credit Rating of the Bond Insurer; and

Whereas, the risk exposure is for each and every day for the life of the issuance; and

Whereas, Dexia Credit Local and JP Morgan have said that they would not extend their standby bond purchase agreements past the expiration date of June 11, 2009 causing potentially disastrous consequences for the authority; and

Whereas, the almost 2,000 pages of closing documents are opaque and too difficult for a reasonable citizen to fully comprehend; and

Whereas, the PWSA ratepayers deserve to know and understand fully the risk to which the Authority has exposed them; and

Whereas, the Board of the PWSA has refused to act on this matter;

Be it resolved by the Council of the City of Pittsburgh as follows:

Section 1. The Controller of the City of Pittsburgh will craft and issue a Request for Proposals to hire an independent, credentialed, third-party reviewer to evaluate the 2008 Pittsburgh Water and Sewer Authority Variable Rate Bond Swap Deal and 2006 bond refinancing and complete the review by April 30, 2009 at a cost not to exceed fifteen thousand dollars (\$15,000). The reviewer should have the training, experience and expertise to analyze and explain financial derivatives and interest rate SWAPs. Seventy-five hundred dollars

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(\$7,500) to fund the review will be paid out of Year 2009 Account 526100, Fund 1000, Subclass 150, Organization 101200, Miscellaneous Services-Professional; and seventy-five hundred dollars (\$7,500) will be paid out of Year 2009 Account: 525500, Fund 1000, Subclass 150, Organization 106000, Miscellaneous Services.

This independent reviewer will provide plain English answers to the following questions:

- What exactly are the terms of this deal?
- What exactly are the risks of this deal?
- When do those risks occur?
- How do we get out of this situation?

The independent reviewer will be free of conflicts of interest relative to the parties of the variable rate bond swap deal.

Section 2. The City Controller will immediately release this report to the public so that the citizens can understand the risk to which they have been exposed and debate openly and honestly how best to get out of this situation.