

CHIEF FINANCIAL OFFICER'S REPORT

Private Sale of Los Angeles Department of Water and Power Water System Revenue Bonds


This report is being delivered in connection with the proposed private sale of the Los Angeles Department of Water and Power (LADWP), Water System Revenue Bonds (Water Bonds), pursuant to Charter Section 609.

The Water System's updated budget for FY 2015-16 presented to the Board on December 15, 2015 required a borrowing of \$598 million to fund its Capital Improvements Program for the same period. Of this amount, \$250 million is being funded through a drawdown from the Department's Revolving Line of Credit, the remaining \$348 million will be financed with tax-exempt revenue bonds.

In conjunction the issuance of \$348 million new money Water Bonds is a current refunding of approximately \$632 million, including \$250 million repayment of the revolving line of credit.

I have determined that a private sale of the Water Bonds would be of benefit to and in the financial interests of LADWP and recommend the private sale of the Water Bonds as provided in the attached Resolution No. 4904, for reasons including the following:

- the size of the proposed bond issue and efforts to provide a meaningful opportunity for minority, women and other business enterprises to participate in the sale of the Water Bonds consistent with the goals set forth in LADWP's Outreach Program,
- the desire to combine a refunding transaction with the new money financing so as to minimize issuance costs as well as coordinate the timing of what continues to be a volatile interest rate environment,
- the desire to implement a retail order period aimed at reducing borrowing costs,
- the benefits of a motivated and incentivized underwriting pool that will bring LADWP cost-effective ideas and financing proposals for debt service savings, and
- the benefits of banks offering low cost credit facilities given the opportunities to receive negotiated underwriting opportunities.



JEFFERY L. PELTOLA
Chief Financial Officer
January 8, 2016