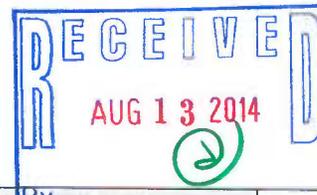


14-0566

**City of Los Angeles, Wastewater System Interest Rate Swaps*
Summary of Financing Options**



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Originally (2006) Available Options**

Option	Do Nothing	Fixed Rate Bond Refunding	Synthetic Fixed Swap Refunding	Wait to Refund
Terms	<ul style="list-style-type: none"> Existing bonds remain outstanding to maturity 	<ul style="list-style-type: none"> Fixed rate refunding bonds issued with 10 year par call in 2016 	<ul style="list-style-type: none"> Issue variable rate refunding bonds with a swap to fixed rates 	<ul style="list-style-type: none"> Wait to refund bonds until the 2008 call date and then issue fixed rate refunding bonds with a 2018 call date
Risk	<ul style="list-style-type: none"> Will not realize interest savings 	<ul style="list-style-type: none"> Realize limited amount of interest rate savings Could not be refunded again until 2016 call date A variable rate bond refunding was <u>not</u> an option for an advance refunding 	<ul style="list-style-type: none"> Realize greater amount of interest rate savings Swap risks: termination, mark-to-market, basis, tax, counterparty credit VRDB risks: bank credit, insurer credit, credit facility renewal 	<ul style="list-style-type: none"> Interest rates may rise, lowering savings or losing refunding opportunity altogether
Total Paid to 5/1/14	\$133.6 million	\$125.8 million	\$104.1 million (actual)	\$122.8 million
Total Remaining thru 2028	\$439.8 million	\$442.9 million	\$420.0 million (projected)	\$440.7 million
Total Paid over Total Life of Transaction	\$573.4 million	\$568.7 million	\$524.1 million; \$502.6 million (expected)	\$563.5 million

Currently Available Options*

Option	Do Nothing (Maintain Swap)	Terminate Swap and Refund with Fixed Rate Bonds	Terminate Swap using Cash and Keep Variable Rate Bonds
Terms	<ul style="list-style-type: none"> Leave current structure in place 	<ul style="list-style-type: none"> Terminate swap and make terminate payment with bond proceeds 	<ul style="list-style-type: none"> Terminate swap and pay termination payment with cash; leave variable rate bonds outstanding
Term/Risk	<ul style="list-style-type: none"> Swap risks: termination, mark-to-market, basis, tax, counterparty credit VRDB risks: bank credit, credit facility renewal 	<ul style="list-style-type: none"> Pay large termination payment 	<ul style="list-style-type: none"> Interest rate risk makes overall economics difficult to determine with certainty VRDB risks: bank credit, credit facility renewal
Total Paid over Total Life of Transaction	\$420.0 million (projected)	\$443.5 million	\$196.5 million (fixed rate 2012A's) + \$25.4 million (termination payment) + \$151.1 million (2012D VRDB principal) + interest and bank facility fees on 2012D = \$373.0 million (known costs) + interest and bank facility fees on 2012D (unknown)

* The swaps are related to the Wastewater System program, therefore any costs or savings are exclusively attributed to the Sewer Construction and Maintenance Fund; at no time is the General Fund impacted by the Wastewater swaps.

**All financing options assume any refundings have the same final maturity as the original bonds.

Source: Office of the CAO

Prepared: August 12, 2014