

CHIEF FINANCIAL OFFICER'S REPORT

Private Sale of Los Angeles Department of Water and Power, Power 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), Power System Revenue Bonds (Power Bonds), pursuant to Charter Section 609.

The Power System's updated budget for FY 2015-16 presented to the Board on January 19, 2016 required a borrowing of \$428 million to fund its Capital Improvements Program for the same period to be financed with tax-exempt revenue bonds.

In conjunction with the issuance of \$428 million new money Power Bonds is an advance refunding of approximately \$150 million.

I have determined that a private sale of the Power Bonds would be of benefit to and in the financial interests of LADWP and recommend the private sale of the Power Bonds as provided in the attached Resolution No. 4907, 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 Power 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 26, 2016