

CHIEF FINANCIAL OFFICER'S REPORT

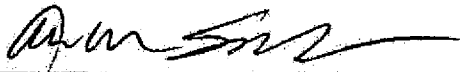
Private Sale of Los Angeles Department of Water and Power, Power System Revenue Bonds

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 Fiscal Year (FY) 2018-2019 Budget, approved by the Board on May 22, 2018, reflects a need to borrow tax-exempt revenue bonds of approximately \$705 million to support a portion of its planned \$1.53 billion Capital Improvements Program over the same period. Additionally, the multi-year financial plan, which supports the budget, indicates a need of approximately \$730 million external financing to support a portion of its planned \$1.67 billion capital improvements program for FY 2019-2020.

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. 4942, 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 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.



Ann M. Santilli
Interim Chief Financial Officer
June 7, 2018