

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 Fiscal Year (FY) 2021-22 Budget, approved by the Board on May 25, 2021 reflects a need to borrow tax-exempt revenue bonds of approximately \$524 million to support a portion of its planned \$892 million Capital Improvements Program over the same period. Additionally, the multi-year financial plan, which supports the budget, indicates a need of approximately \$537 million external financing to support a portion of its planned \$959 million capital improvements program for FY 2022-23.

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. 4995, for reasons including the following:

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- 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 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,
- the benefits of banks offering low cost credit facilities given the opportunities to receive negotiated underwriting opportunities, and
- the flexibility in timing and structuring of the bonds to meet investor demand.



Ann M. Santilli
Chief Financial Officer
June 30, 2021