

## **CHIEF FINANCIAL OFFICER'S REPORT**

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

The Financial Services Organization (FSO), along with its municipal advisor and banking team members, is constantly monitoring the market looking for ways to reduce the Water System's borrowing costs. The current financial environment has offered the Water System an opportunity to refund and restructure a substantial portion of its outstanding debt to reduce annual interest costs and generate significant savings to the Water System. Recently, various financial institutions have proposed ideas for responsibly restructuring some of the Water System's debt through refundings. In accordance with the Board-approved Debt Management Policy, FSO's goal is to achieve at least three percent present value savings of the refunded par amount for its current refundings. A current refunding is a refunding transaction that is executed 90 days before the call date of the refunded bonds.

Resolution No. 4997 will provide FSO with the flexibility to execute multiple refunding transactions (up to \$1.7 billion) that produce savings for the Water System.

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. 4997, 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 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,
- 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.



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ANN M. SANTILLI  
Chief Financial Officer  
August 16, 2021