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PRELIMINARY OFFICIAL STATEMENT DATED [●], 2025

NEW ISSUE – FULL BOOK-ENTRY-ONLY

RATINGS: Kroll: “[●]”
Moody’s: “[●]”
S&P: “[●]”
(See “RATINGS” herein)

In the opinion of Kutak Rock LLP, Bond Counsel to the Department, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series A Bonds is excluded from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax on individuals. Interest on the Series A Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that interest on the Series A Bonds is exempt from present State of California personal income taxes. See “TAX MATTERS” herein.

[DWP Logo]

§[PARA]*
**DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
Water System Revenue Bonds
2025 Series A**

Dated: Date of Delivery

Due: As shown on inside front cover

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined will have the meanings set forth herein.

The Department of Water and Power of the City of Los Angeles Water System Revenue Bonds, 2025 Series A (the “Series A Bonds”) are being issued by the Department of Water and Power of the City of Los Angeles (the “Department”) to provide funds to pay costs of capital improvements to the Water System and pay certain costs of issuance of the Series A Bonds. See “PLAN OF FINANCE” and “APPLICATION OF PROCEEDS.”

Interest on the Series A Bonds is payable on each January 1 and July 1, commencing July 1, 2025.

The Series A Bonds will be dated their date of original delivery and will mature in the principal amounts and in the years and bear interest at the respective rates of interest per annum, all as set forth on the inside front cover. The Series A Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of interests in the Series A Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of such interests will not receive physical certificates representing their interests in the Series A Bonds purchased. Principal of and interest on the Series A Bonds are payable directly to DTC by the Treasurer of the City of Los Angeles, as fiscal agent. Upon receipt of such payments, DTC is obligated in turn to remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series A Bonds, as described herein. Beneficial Owners’ rights will be governed as to such payments, the receipt of notices and other communications and various other matters by the rules and operating procedures applicable to the DTC book-entry system, as described herein. Beneficial interests in the Series A Bonds may be held through DTC, directly as a participant or indirectly through organizations that are participants in such systems. See “APPENDIX C—DTC BOOK-ENTRY SYSTEM.”

The Series A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See “THE SERIES A BONDS—Redemption of Series A Bonds.”

The Series A Bonds will be special obligations of the Department payable only from the Water Revenue Fund and not out of any other fund or moneys of the Department or the City of Los Angeles (the “City”). The Series A Bonds will not constitute or evidence an indebtedness of the City or a lien or charge on any property or the general revenues of the City. Neither the faith and credit nor the taxing power of the City will be pledged to the payment of the Series A Bonds. See “SOURCE OF PAYMENT.”

The Series A Bonds are offered when, as and if issued by the Department and received by the Underwriters, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the Department, and to certain other conditions. Certain legal matters will be passed upon for the Department by the Office of the City Attorney of the City and by Kutak Rock LLP, Disclosure Counsel to the Department, and for the Underwriters by Hawkins Delafield & Wood LLP. It is expected that the Series A Bonds, in definitive form, will be available for delivery through the facilities of DTC, on or about [●], 2025.

**BofA Securities
Morgan Stanley
Stern Brothers**

**Goldman Sachs & Co. LLC
Siebert Williams Shank & Co., LLC
Stifel**

Date of Official Statement:

* Preliminary; subject to change.

MATURITY SCHEDULE*

\$(PARA)*
Department of Water and Power of the City of Los Angeles
Water System Revenue Bonds
2025 Series A

Maturity Date (July 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP† No.
--	------------------------------	--------------------------	--------------	--------------	-------------------

\$ _____ % Term Bonds due July 1, 20____ – Yield ____%; Price ____; CUSIP† No. _____

\$ _____ % Term Bonds due July 1, 20____ – Yield ____%; Price ____; CUSIP† No. _____

* Preliminary; subject to change.

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**DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES**

111 North Hope Street
Los Angeles, California 90012

BOARD OF WATER AND POWER COMMISSIONERS

RICHARD KATZ, *President*
GEORGE McGRAW, *Vice President*
NURIT KATZ
MIA LEHRER
WILMA J. PINDER

Chante Mitchell, *Board Secretary*

Officers and Executives

Janisse Quiñones, *PE, General Manager/Chief Executive Officer and Chief Engineer*
Aram Benyamin, *Chief Operating Officer*
John A. Smith, *Chief Administrative Officer*
Ann M. Santilli, *Chief Financial Officer*
Anselmo G. Collins, *Senior Assistant General Manager – Water System*
Kathy M. Fong, *Assistant Chief Financial Officer and Controller*
Peter Huynh, *Assistant Chief Financial Officer and Treasurer; Assistant Auditor*

General Counsel

Office of the City Attorney of the City of Los Angeles
Hydee Feldstein Soto, *City Attorney*
Benjamin Chapman, *General Counsel for Water and Power*

Bond and Disclosure Counsel

Kutak Rock LLP

Municipal Advisor

Public Resources Advisory Group

Fiscal Agent for Payment

Treasurer of the City of Los Angeles

No dealer, broker, salesperson or other person has been authorized by the Department or any Underwriter for the Series A Bonds to give any information or to make any representations, other than as contained in this Official Statement, and if given or made such other information or representations must not be relied upon as having been authorized by the Department or any such Underwriter.

The information set forth herein has been furnished by the Department and other sources that are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Department or the Water System since the date hereof.

This Official Statement does not constitute an offer to sell Series A Bonds in any state to any person to whom it is unlawful to make such an offer in such state. This Official Statement is not a contract with the purchasers of Series A Bonds.

The Underwriters may offer and sell Series A Bonds to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the inside cover page hereof and such public offering prices may be changed from time to time by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of federal securities laws. Such statements are based on currently available information, expectations, estimates, assumptions and projections and management’s judgment including those related to the water utility industry and general economic conditions. Such words as “expects,” “intends,” “plans,” “believes,” “estimates,” “anticipates” or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. Actual results may vary materially from what is contained in a forward-looking statement. Factors which may cause a result different than expected or anticipated include new legislation, unfavorable court decisions, increases in suppliers’ prices, particularly prices for purchased water and prices for power in connection with the operation of the Water System, changes in environmental compliance requirements, acquisitions of assets, changes in customer water use patterns, natural disasters such as earthquakes, terrorist acts and the impact of weather on operating results. The Department assumes no obligation to provide updates of forward looking statements.

The Series A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The Series A Bonds have not been registered or qualified under the securities laws of any state.

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OFFICIAL STATEMENT

§[PARA]*
Department of Water and Power of the City of Los Angeles
Water System Revenue Bonds
2025 Series A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish information with respect to the Department of Water and Power of the City of Los Angeles (the “Department”) and its Water System Revenue Bonds, 2025 Series A (the “Series A Bonds”).

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the Series A Bonds to potential investors is made only by means of this entire Official Statement. Capitalized terms used but not otherwise defined in the forepart of this Official Statement have the respective meanings given such terms under the caption “CERTAIN DEFINITIONS” in Appendix D or in Appendix G.

The Department

The Department was created by and exists under The Charter of The City of Los Angeles, adopted in 1925 and replaced by a new charter which became effective July 1, 2000 (the “Charter”). The Department is designated a proprietary department of the City of Los Angeles (the “City”). The Department is the largest municipal utility in the United States and provides water service through its Water System (as defined herein) and electric service through its Power System in a service area consisting almost entirely of the City. The Department is governed by the Board of Water and Power Commissioners of the City of Los Angeles (the “Board”). See “THE DEPARTMENT.”

Authority for Issuance

The Series A Bonds are being issued pursuant to Section 609 of the Charter, relevant ordinances of the City and Resolution No. 4591, adopted by the Board on February 6, 2001 (the “Master Resolution”), as supplemented by Resolution No. 5064 adopted by the Board on November [12], 2024 (the “Forty-First Supplemental Resolution,” and together with the Master Resolution, the “Bond Resolution”). See “THE SERIES A BONDS” and Appendix D.

Purpose of Series A Bonds

The Department is issuing the Series A Bonds to provide funds to pay costs of Capital Improvements to the Water System and pay certain costs of issuance of the Series A Bonds. See “PLAN OF FINANCE” and “APPLICATION OF PROCEEDS.”

Source of Payment for the Series A Bonds

The Series A Bonds constitute and evidence special obligations of the Department payable as to principal and interest only from the Water Revenue Fund and not out of any other fund or moneys of the Department or the City. The Series A Bonds do not constitute or evidence an indebtedness of the City, or

* Preliminary; subject to change.

a lien or charge on any property or the general revenues of the City. Neither the faith and credit nor the taxing power of the City is or will be pledged to the payment of the Series A Bonds. See “SOURCE OF PAYMENT.”

Water System

The “Water System” includes, whether situated inside or outside of the City or the State of California (the “State”), all of the water and water rights of the Los Angeles River, all other water or water rights of every nature and kind owned or controlled by the City, and all of the lands, rights-of-way, sites, facilities and property used for the capture, transportation, distribution and delivery of water for the benefit of the City, its inhabitants and its customers.

Rate Covenant

The Department has covenanted under the Master Resolution (as required by the Charter) that it will fix rates, subject to the approval of the Council of the City (the “City Council”), for service from the Water System, and collect charges for such service, such as to provide revenues, which together with the other available funds of the Department, will be at least sufficient to pay, as the same become due, the principal of, redemption premium, if any, and interest on the Outstanding Bonds (including the Series A Bonds) and all other outstanding bonds, notes, and other evidences of indebtedness payable out of the Water Revenue Fund, in addition to paying, as the same become due, the necessary expenses of operating and maintaining the Water System and all other obligations and indebtedness payable out of the Water Revenue Fund. During the time the Series A Bonds remain Outstanding, the City Council is required by the Charter to approve the rates so fixed by the Department for service from the Water System sufficient for such purposes. See “WATER RATES.”

Parity Debt Obligations

As of December 1, 2024, the Department had approximately \$[●] billion in principal amount of debt outstanding payable from the Water Revenue Fund, comprised of approximately \$[●] billion of revenue bonds, \$[●] million of loans provided to the Department by the California State Water Resources Control Board (the “State Water Resources Control Board”), and a \$1 million loan from the Department of Water Resources of the State of California (the “Department of Water Resources”) through the CalConserve Water Efficiency Revolving Fund Loan Program established pursuant to Proposition 1 - Water Quality, Supply and Infrastructure Improvement Act of 2014 (“Proposition 1”). Such outstanding Department debt is payable from the Water Revenue Fund on a parity basis with the Series A Bonds. The Department has a significant infrastructure program and intends to issue Additional Parity Obligations (consisting of additional Water System Revenue Bonds (including the Series A Bonds) and additional loans from the State Water Resources Control Board) in the future, subject to the provisions of the Master Resolution. See “THE MASTER RESOLUTION” and “SOURCE OF PAYMENT—Additional Parity Obligations” and “WATER SYSTEM INFRASTRUCTURE PROGRAM—Projected Capital Improvements.”

Continuing Disclosure

In connection with the issuance of the Series A Bonds, the Department will agree to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”), certain annual financial information and operating data relating to the Department and the Water System, and, in a timely manner, notice of certain enumerated events. These covenants are made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) (“Rule 15c2-12”) adopted by the U.S. Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” and Appendix F.

Other Matters

The summaries of and references to all documents, statutes, Charter provisions, resolutions, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each such summary and reference is qualified in its entirety by reference to each document, statute, Charter provision, resolution, report or instrument.

Department Website and Social Media Accounts

The Department maintains a website at www.ladwp.com and certain social media accounts. Information on such website and accounts is not part of this Official Statement and such information has not been incorporated by reference herein and should not be relied upon in deciding whether to invest in the Series A Bonds.

THE MASTER RESOLUTION

The Master Resolution provides for the issuance of Bonds, including the Series A Bonds, payable from the Water Revenue Fund and provides certain terms and conditions which will apply to all such Bonds, including the Series A Bonds. The Series A Bonds are to be issued pursuant to the Master Resolution, as supplemented by the Forty-First Supplemental Resolution. The Master Resolution provides, among other things, the conditions that must be satisfied for the issuance of Bonds and other Parity Obligations payable from the Water Revenue Fund on a parity with the Bonds, the covenants of the Department with respect to the Bonds, a Bond Service Fund and Redemption Fund for the Bonds, an Expense Stabilization Fund and the terms under which the Master Resolution may be amended. The Master Resolution permits the issuance of Parity Obligations under Issuing Instruments other than the Master Resolution and Supplemental Resolutions. For a summary of certain provisions of the Master Resolution and the Forty-First Supplemental Resolution, see Appendix D.

PLAN OF FINANCE

A portion of the proceeds of the Series A Bonds will be used to pay the costs of Capital Improvements to the Water System. See “WATER SYSTEM INFRASTRUCTURE PROGRAM—Projected Capital Improvements.”

APPLICATION OF PROCEEDS

The following table sets forth the sources and uses of funds in connection with the issuance of the Series A Bonds.

Sources of Funds

Principal Amount	\$
Original Issue Premium/(Discount)	_____
Total Sources	\$_____

Uses of Funds

Capital Improvements	\$
Costs of Issuance, including Underwriters' Discount	_____
Total Uses	\$_____

THE SERIES A BONDS

General

The Series A Bonds will be dated their date of delivery and will mature in the respective principal amounts on the dates and bear interest at the respective rates of interest per annum, all as set forth on the inside cover hereof. Interest will be calculated on the basis of a 360-day year of twelve 30-day months, payable on January 1 and July 1 of each year, commencing on July 1, 2025.

DTC Book-Entry System

The Series A Bonds will be issued as book-entry bonds, in fully registered form. The Series A Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series A Bonds. Individual purchases of interests in Series A Bonds will be made in the principal amount of \$5,000 or any integral multiple thereof. Principal of and interest on the Series A Bonds, are payable directly to DTC by the Treasurer of the City of Los Angeles, as Fiscal Agent for payment. Upon receipt of such payments, DTC is obligated in turn to remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series A Bonds, as described in Appendix C. NEITHER THE DEPARTMENT NOR THE FISCAL AGENT WILL BE RESPONSIBLE OR LIABLE FOR SUCH TRANSFERS OF PAYMENTS BY DTC, FOR THE PROVIDING OF NOTICES BY DTC, INCLUDING NOTICES OF REDEMPTION, OR FOR MAINTAINING, SUPERVISING OR REVIEWING THE RECORDS MAINTAINED BY DTC, THE DTC PARTICIPANTS OR PERSONS ACTING THROUGH SUCH PARTICIPANTS. For information concerning the DTC book-entry system, see Appendix C.

DTC may discontinue providing its services with respect to the Series A Bonds at any time by giving notice to the Fiscal Agent and the Department as provided in the Master Resolution and discharging its responsibilities with respect thereto under applicable law. The Department may terminate its participation in the book-entry system of DTC or any other Securities Depository with respect to the Series A Bonds. In the event that a book-entry system with respect to the Series A Bonds is discontinued, the Department will execute and deliver replacement Series A Bonds in the form of registered certificates. In addition, the following provisions would apply: the principal of the Series A Bonds will be payable upon surrender thereof at the principal office of the Fiscal Agent for payment in Los Angeles, California and interest on the Series A Bonds will be payable by check mailed on each interest payment date to the registered Owners thereof as shown on the registration books for the Series A Bonds as of the applicable Record Date. The Series A Bonds will then be transferable and exchangeable on the terms and conditions provided in the Master Resolution.

Redemption of Series A Bonds

Optional Redemption. The Series A Bonds maturing on and after July 1, 20__, will be subject to redemption prior to maturity, at the option of the Department, from any source of available funds, as a whole or in part, on any date on or after _____ 1, 20__, at a redemption price equal to the principal amount to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Series A Bonds maturing on July 1, 20__ (the “Series A Term Bonds (20__)”), will be subject to mandatory redemption prior to maturity on July 1, 20__, and on each July 1 thereafter, from sinking fund installments for such Series A Term Bonds (20__), at a redemption price equal to the principal amount thereof, without premium, which sinking fund installments are to be made at the times and in the amounts sufficient to provide for the redemption of such Series A Term Bonds (20__) in the years and amounts set forth below:

Mandatory Redemption Date (July 1)	Amount
---	---------------

* Final Maturity.

The Series A Bonds maturing on July 1, 20__ (the “Series A Term Bonds (20__),” and together with the Series A Term Bonds (20__), the “Series A Term Bonds”), will be subject to mandatory redemption prior to maturity on July 1, 20__, and on each July 1 thereafter, from sinking fund installments for such Series A Term Bonds (20__), at a redemption price equal to the principal amount thereof, without premium, which sinking fund installments are to be made at the times and in the amounts sufficient to provide for the redemption of such Series A Term Bonds (20__) in the years and amounts set forth below:

Mandatory Redemption Date (July 1)	Amount
---	---------------

* Final Maturity.

The amount of the Series A Term Bonds to be redeemed from Sinking Fund Installments on any date will be reduced as directed by the Department by the principal amount of the Series A Term Bonds that have been previously optionally redeemed or purchased by the Department and surrendered to the Fiscal Agent for cancellation in accordance with the Master Resolution and the Forty-First Supplemental Resolution.

Notice of Redemption. Notice of the redemption of Series A Bonds is to be given to the Owners of the Series A Bonds to be redeemed, not less than 30 days nor more than 60 days before the redemption date, as provided in the Master Resolution. While Cede & Co. is the registered Owner of the Series A Bonds, notice of redemption will be given to DTC or its nominee. The Department will not be responsible for providing notices of redemption to DTC Participants or the Beneficial Owners. Pursuant to the terms of the Master Resolution, the Department is also to provide notice of the redemption of Series A Bonds to the specified securities depositories and to an information service. *Neither the failure of DTC or a Beneficial Owner of a Series A Bond to receive notice, nor the failure to send a notice of redemption to the securities depositories or an information service, will affect the validity of the proceedings for the redemption of Series A Bonds.*

The notice of redemption will specify the maturities of Series A Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series A Bonds of any maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series A Bonds to be redeemed, and, in the case of a Series A Bond to be redeemed in part only, such notice will also specify the portion of the principal amount thereof to be redeemed. Such notice will further state that on the specified redemption date there will become due and

payable upon each Series A Bond to be redeemed the redemption price thereof, or the redemption price of the specified portion of the principal amount thereof to be redeemed in the case of a Series A Bond to be redeemed in part only, together with accrued, unpaid interest on the principal amount to be redeemed to the redemption date, and that from and after such date interest on such Series A Bond, or the portion of such Series A Bond to be redeemed, will cease to accrue and be payable.

Conditional Notice. Under the Master Resolution, a notice of redemption of Series A Bonds, at the option of the Department, may be given on a conditional basis. In the event such conditional notice of redemption is given, if on the date established for such redemption of Series A Bonds there are not sufficient funds to effect such redemption, the applicable Series A Bonds will not be redeemed as described in such notice and the Series A Bonds so called for redemption will continue to be Outstanding on the terms and conditions contained in such Series A Bonds, the Master Resolution and the Forty-First Supplemental Resolution and will bear interest and to be subject to further calls for redemption as provided in the Master Resolution and the Forty-First Supplemental Resolution as if such notice of redemption had not been given.

Selection of Series A Bonds for Redemption. Except as otherwise provided with respect to Series A Bonds held in book-entry form, if less than all of the Outstanding Series A Bonds of a maturity are to be redeemed, the Fiscal Agent will select the Series A Bonds of such maturity to be redeemed at random in such manner as the Fiscal Agent in its discretion may deem fair and appropriate; provided, however, that the portion of any Series A Bond of a denomination greater than \$5,000 will be treated as that number of Series A Bonds obtained by dividing the principal amount of such Series A Bonds by \$5,000. If less than all of the Series A Bonds of a maturity held in the DTC book-entry system are to be redeemed, the Series A Bonds of such maturity to be redeemed will be selected as provided in the DTC procedures. See Appendix C.

SOURCE OF PAYMENT

Special Obligations of Department

The Series A Bonds will be special obligations of the Department payable only from the Water Revenue Fund, and not out of any other fund or moneys of the Department or the City. The Series A Bonds will not constitute or evidence an indebtedness of the City or a lien or charge on any property nor on the general revenues of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the Series A Bonds.

Water Revenue Fund

The principal of and interest on the Bonds, including the Series A Bonds, is payable from the Water Revenue Fund. The Water Revenue Fund is a separate fund established by the Charter in the City Treasury. All revenues from every source collected by the Department in connection with the possession, management and control of the Water System are required to be deposited in the Water Revenue Fund. All moneys in the Water Revenue Fund are under the control and management of the Board and are kept separate from revenues and moneys of the Power System of the Department. Pursuant to the Master Resolution, the Department has covenanted to pay out of the Water Revenue Fund, without priority, (a) the costs and expenses of operating and maintaining the Water System; (b) the principal of, redemption premium, if any, and interest on the Outstanding Bonds (including the Series A Bonds) and other Parity Obligations; and (c) all other obligations payable from the Water Revenue Fund that are not, by their terms, Subordinated Obligations. See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION.”

Rate Covenant

The Department has covenanted under the Master Resolution, as required by the Charter, that the Board will fix rates, subject to the approval of the City Council, for service from the Water System, and collect charges for such service, so as to provide revenues, which together with the other available funds of the Department, will be at least sufficient to pay, as the same become due, the principal of, redemption premium, if any, and interest on the Outstanding Bonds (including the Series A Bonds) and all other outstanding bonds, notes, and other evidences of indebtedness payable out of the Water Revenue Fund, in addition to paying, as the same become due, the necessary expenses of operating and maintaining the Water System, and all other obligations and indebtedness payable out of the Water Revenue Fund. The Charter provides that the City Council will approve rates so fixed by the Department in an amount sufficient to meet all such revenue requirements. See “WATER RATES.”

Additional Parity Obligations

No Priority. The Master Resolution provides that the Department may not issue any Obligations that are senior or prior in right to payment from the Water Revenue Fund to the Bonds, including the Series A Bonds.

Limitations on Parity Obligations. The Master Resolution provides that the Department may, at any time, issue Additional Parity Obligations; provided that the Department obtains or provides a certificate or certificates, prepared by the Department or at the Department’s option by a Consultant, showing that the Adjusted Net Income as shown by the books of the Department for any 12 consecutive month period (selected by the Department in its sole discretion) within the 18 consecutive months ending immediately prior to the issuance of such Additional Parity Obligations will have amounted to at least 1.25 times the Maximum Annual Adjusted Debt Service on all Parity Obligations to be Outstanding immediately after the issuance of the proposed Additional Parity Obligations. For purposes of preparing the certificate or certificates described above, the Department and any Consultant may rely upon financial statements prepared by the Department that have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the particular 12-month period selected by the Department are not available.

The Master Resolution provides that the Department may enter into certain Qualified Swap Agreements and Credit Support Instruments in connection with Parity Obligations, and issue certain Refunding Parity Obligations, without satisfying such Adjusted Net Income Test. See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—CERTAIN DEFINITIONS” and “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—MASTER RESOLUTION—Conditions to Issuance of Parity Obligations.”

The Master Resolution generally defines Adjusted Net Income as the Net Income for such Calculation Period plus an amount equal to depreciation, amortization, interest on debt and Unrealized Items for such Calculation Period, in each case determined in accordance with Generally Accepted Accounting Principles, less any portion of such Net Income which has been deposited in the Expense Stabilization Fund, plus at the option of the Department, certain allowances and adjustments as described in the Master Resolution. The Master Resolution defines Maximum Annual Adjusted Debt Service as the maximum amount of Debt Service becoming due on the Applicable Parity Obligations in the then current or any future Fiscal Year, as adjusted as provided in the Master Resolution and calculated by the Department or by a Consultant.

Subordinated Obligations

The Master Resolution provides that, without satisfying the test for the issuance of Additional Parity Obligations, the Department may issue Obligations that are junior and subordinate as to payment

from the Water Revenue Fund to the Parity Obligations. See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—MASTER RESOLUTION—Conditions of Issuance of Subordinated Obligations.” The Department does not currently have any outstanding Subordinated Obligations.

Expense Stabilization Fund

Pursuant to the Master Resolution, the Expense Stabilization Fund was established and is maintained by the Department. Moneys are deposited to the Expense Stabilization Fund in such amounts, at such times and from such sources as are determined by the Department in its sole discretion. Amounts on deposit in the Expense Stabilization Fund may be withdrawn at any time and applied to any lawful purpose in connection with the Water System, including, without limitation, payment of the costs and expenses of operating and maintaining the Water System, payment of Debt Service on the Parity Obligations (including the Series A Bonds), payment of principal, redemption premium or interest on Subordinated Obligations, payment of costs of Capital Improvements, payment of costs of issuance of Parity Obligations or payments of the costs of issuance of Subordinated Obligations. As of October 31, 2024, there was approximately \$[•] million (investments at fair market value) on deposit in the Expense Stabilization Fund. See “THE DEPARTMENT—Investment Policy and Controls.”

Other Covenants

In addition to the covenant with respect to rates described above, the Master Resolution includes covenants by the Department with respect to the sale of the Water System, the operation and maintenance of the Water System, and other matters. See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—MASTER RESOLUTION—Covenants.”

THE DEPARTMENT

General

The Department is the largest municipal utility in the United States and is a proprietary department of the City. Control of Water System assets and funds is vested with the Board, whose actions are subject to review by the City Council. The Department is responsible for providing the electric and water requirements of its service area. The Department provides electric and water service almost entirely within the boundaries of the City. The City encompasses approximately 473 square miles and is populated by approximately 3.8 million residents. For more information about the City, see “APPENDIX B—DEMOGRAPHIC AND ECONOMIC INFORMATION FOR THE CITY OF LOS ANGELES.”

Department operations began in the early years of the twentieth century. The first Board of Power Commissioners was established in 1902. Nine years later, the responsibilities for the provision of electricity and water within the City were given to the Los Angeles Department of Public Service (the “Department of Public Service”). The Department of Public Service was superseded in 1925 with passage of the 1925 Charter and the creation of the Department. The Department now operates under the Charter adopted in 2000. The operations and finances of the Water System are separate from those of the Power System.

Charter Provisions

Pursuant to the Charter, the Board is the governing body of the Department and the General Manager of the Department (the “General Manager”) administers the affairs of the Department.

The Charter provides that all revenue from every source collected by the Department in connection with its possession, management and control of the Water System is to be deposited in the Water Revenue Fund. The Charter further provides that the Board controls the money in the Water Revenue Fund and makes provision for the issuance of Department bonds, notes and other evidences of indebtedness payable out of the Water Revenue Fund. The procedure relating to the authorization of the issuance of bonds is governed by Section 609 of the Charter.

Section 245 of the Charter provides that, with certain exceptions, actions of City commissions and boards (“Board Action”), including the Board, do not become final until five consecutive City Council meetings convened in regular session have passed or a waiver of such period is granted by City Council. During those five City Council meetings (unless the waiver of such period has been granted), the City Council may, on a two-thirds vote, take up the Board Action. If the Board Action is taken up, the City Council may approve or veto the Board Action within 21 calendar days of taking up the Board Action. If the City Council takes no action to assert jurisdiction over the Board Action during those five meetings, the Board Action becomes final at the end of such period. The Forty-First Supplemental Resolution has become final.

Board of Water and Power Commissioners

Under the Charter, the Board is granted the possession, management and control of the Water System. Pursuant to the Charter, the Board also has the power and duty to make and enforce all necessary rules and regulations governing the construction, maintenance, operation, connection to and use of the Water System and to acquire, construct, extend, maintain and operate all improvements, utilities, structures and facilities the Board deems necessary or convenient for purposes of the Department. The Mayor of the City appoints, and the City Council confirms the appointment of, members of the Board. The Board is traditionally selected from among prominent business, professional and civic leaders in the City. The members of the Board serve with only nominal compensation. Certain matters regarding the administration of the Department also require the approval of the City Council.

The Board is composed of five members. The current members of the Board are:

RICHARD KATZ, *President*. Mr. Katz was appointed to the Board by Mayor Karen Bass and confirmed by the City Council on March 22, 2024. Mr. Katz was elected President of the Board on March 26, 2024. Mr. Katz is a long-time public servant and state policymaker with specific expertise in the areas of water, transportation, land use, and energy. He is the owner of Richard Katz Consulting Inc., a public policy and government relations firm based in Los Angeles. Mr. Katz previously served in the California State Assembly representing the North and East San Fernando Valley for sixteen years. After leaving the State Assembly, Mr. Katz was appointed to the State Water Resources Control Board, where he served for six years, occupying the water quality seat. Mr. Katz also served as a Senior Advisor on Energy and Water issues to Governor Gray Davis. He has previously served on the governing boards of the Los Angeles County Metropolitan Transportation Authority and Metrolink. Mr. Katz holds a Bachelor of Arts degree in political science (major) and history (minor) from San Diego State University.

GEORGE McGRAW, *Vice President*. Mr. McGraw was appointed to the Board by Mayor Karen Bass and confirmed by the City Council on June 20, 2023. He was elected Vice President of the Board on March 26, 2024. Mr. McGraw serves as founder and CEO of DigDeep, the only water, sanitation and

hygiene organization solely focused on the United States, developing education, research and infrastructure programs aimed at extending the human right to clean running water to every American. In this capacity, Mr. McGraw works with local government officials, policymakers and utility providers to innovate solutions to the problems of water and sanitation access in different areas of the nation. Mr. McGraw is an Ashoka Fellow, a member of the Aspen Global Leadership Network and former Social Entrepreneur in Residence at Stanford University. He holds a Master of Arts degree in International Law and the Settlement of Disputes from the United Nations University for Peace.

NURIT KATZ, *Commissioner*. Ms. Katz was appointed to the Board by then Mayor Eric Garcetti and confirmed by the City Council on December 6, 2022. She is the Chief Sustainability Officer for the University of California, Los Angeles, (“UCLA”), where she has led the development of the University’s first comprehensive sustainability plan and fosters collaboration across the leading public university to advance sustainability through education, research, operations, and community partnerships. For six years Ms. Katz also served as Executive Officer for Facilities Management at UCLA. She has over 15 years of teaching experience and is an Instructor for the UCLA Extension Sustainability Certificate Program. Ms. Katz also has taught for the UCLA Institute of Environment and Sustainability and prior to UCLA worked in environmental and outdoor education. She holds a Master of Business Administration degree and a master’s degree in public policy from UCLA, and a Bachelor of Arts in environmental education from Humboldt State University. She is currently pursuing a PhD in ecology and evolutionary biology at UCLA and is a Trainee in the National Science Foundation Research Traineeship Innovation at the Nexus of Food, Energy, and Water Systems program.

MIA LEHRER, *Commissioner*. Ms. Lehrer was appointed to the Board by then Mayor Eric Garcetti and confirmed by the City Council on October 21, 2020. Ms. Lehrer is president and founder of Studio-MLA, a landscape architecture, urban design, and planning practice dedicated to advocacy by design with a vision to improve quality of life through landscape. She has served as an advisor to numerous public agencies, including the United States Fine Arts Commission under President Barack Obama, the Los Angeles Cultural Heritage Commission, and the Los Angeles Zoning Advisory Committee. Ms. Lehrer was a member of the team that delivered the Los Angeles River Revitalization Master Plan and the 2020 Upper Los Angeles River and Tributaries Master Plan. She also serves on the board for the Southern California Development Forum and in 2010 she was elevated to Fellow of the American Society of Landscape Architects. Ms. Lehrer holds a Bachelor of Arts degree from Tufts University and a Master of Landscape Architecture degree from the Harvard University Graduate School of Design.

WILMA J. PINDER, *Commissioner*. Ms. Pinder was appointed to the Board by Mayor Karen Bass and confirmed by the City Council on March 8, 2024. Ms. Pinder is a former Los Angeles Assistant City Attorney. She served the city as a civil litigator and trial attorney for 30 years, 20 of those years were with the Water and Power Division of the City Attorney’s Office. Ms. Pinder has been active with national, state and local bar associations, serving as a Board member on several. Ms. Pinder is a Life Fellow of the American Bar Foundation (“ABF”) and served on its Board for 10 years. The ABF expands knowledge and advances justice through research on law and legal institutions. She has also served on alumni boards at the University of Southern California (“USC”) and UCLA. Ms. Pinder is active in the greater Los Angeles area with a number of service-oriented groups. Ms. Pinder holds a Bachelor of Arts degree in psychology from USC, a Master of Science degree in psychology from Howard University, and a Juris Doctorate from UCLA School of Law. She is also trained in community mediation and dispute resolution.

Management of the Department

The management and operation of the Department are administered under the direction of the General Manager. The management structure of the Department consists of three functional senior executive positions: Chief Operating Officer, Senior Assistant General Manager of the Water System, and

Chief Financial Officer. The Department's financial affairs are supervised by the Chief Financial Officer. The Water System is directed by the Senior Assistant General Manager of the Water System. Legal counsel is provided to the Department by the Office of the City Attorney of the City of Los Angeles.

Below are brief biographies of the Department's General Manager, Janisse Quiñones and other members of the senior management team for the Water System:

JANISSE QUIÑONES, PE, *General Manager/Chief Executive Officer and Chief Engineer*. Ms. Quiñones was named General Manager/Chief Executive Officer and Chief Engineer of the Department on April 19, 2024 and confirmed by the City Council on May 14, 2024. She has more than 25 years of leadership experience as a senior executive in utility and engineering industries. Prior to joining the Department, Ms. Quiñones was a Senior Vice President of Electric Operations at Pacific Gas and Electric Company ("PG&E"). She also previously served as Senior Vice President of Gas Engineering for PG&E, as the Vice President of Gas Systems Engineering for National Grid, and as Vice President of Operations for Cobra Acquisitions and Director of Design, Planning, Construction & Vegetation Management as part of her nine years of work at San Diego Gas & Electric ("SDG&E"). At SDG&E, Ms. Quiñones managed the majority of the company's gas and electric distribution capital construction. She currently serves as a Commander in the U.S. Coast Guard ("USCG") Reserves assigned to USCG District 11 and as the USCG Emergency Preparedness Liaison Officer where she is responsible for managing Local, State and Federal Emergencies. Ms. Quiñones previously served full time in the USCG as an Engineering Officer. She is a Professional Engineer with a Bachelor of Science degree in mechanical engineering from University of Puerto Rico-Mayaguez, a Master of Business Administration from University of Phoenix, and a Master of International Affairs from University of California, San Diego.

ARAM BENYAMIN, *Chief Operating Officer*. Mr. Benyamin was named Chief Operating Officer of the Department in November 2022. In this role he oversees the Water System and Power System, along with other support organizations within the Department. Prior to rejoining the Department in November 2022, Mr. Benyamin was the Chief Executive Officer for Colorado Springs Utilities (a municipally owned utility). He joined Colorado Springs Utilities in 2015 as the General Manager – Energy Supply and was named Chief Executive Officer in October 2018. Prior to joining Colorado Springs Utilities, Mr. Benyamin was the Department's Senior Assistant General Manager – Power System. Mr. Benyamin previously worked for the Department in various roles for over 30 years. He is a Professional Engineer with a bachelor's of science degree in engineering from California State University, Los Angeles. Mr. Benyamin also has a master's degree in business administration from the University of La Verne and a master's degree in public of administration from California State University, Northridge.

JOHN A. SMITH, *Chief Administrative Officer*. Mr. Smith was named Chief Administrative Officer of the Department on July 1, 2024. In his capacity he will oversee support organizations that service both Water and Power Systems. He has 35 years of experience with the City of Los Angeles, including 24 years with the Department. Prior to his appointment as Chief Administrative Officer, Mr. Smith served as Director of Fleet and Aviation Services since May 2023 and previously served as Director of Facilities Services from April 2022 to May 2023. He has served in various management capacities within the Department since April 2013. He is also designated the managing responsible agent for the Department's crane inspection program licensed by the State of California Department of Industrial Relations Division of Occupational Safety and Health Crane Unit. Mr. Smith holds a bachelor of science degree in organizational management from the University of La Verne. Additionally, he holds a Master of Science degree in management, strategy and leadership from Michigan State University.

ANN M. SANTILLI, *Chief Financial Officer*. Ms. Santilli was named Chief Financial Officer of the Department in May 2019. She had served as Interim Chief Financial Officer of the Department since March 2018. Prior to her appointment as Interim Chief Financial Officer, Ms. Santilli served as Assistant

Chief Financial Officer and Controller of the Department from 2012 through February 2018 and previously held the role of Interim Chief Financial Officer of the Department from October 2010 through January 2012. Prior to her first service as Interim Chief Financial Officer, Ms. Santilli served as Chief Accounting Employee and Assistant Chief Financial Officer and Controller of the Department. She assumed the post as Controller in March 2008, as Assistant Chief Financial Officer in April 2008 and as Chief Accounting Employee in July 2010. Prior to being appointed as the Controller, Ms. Santilli was the Manager of Financial Reporting since 2003. Ms. Santilli has over 36 years of accounting and auditing experience. Ms. Santilli holds a bachelor's degree in business administration from California State University, Northridge and is a certified public accountant in the State and a certified internal auditor.

ANSELMO G. COLLINS, *Senior Assistant General Manager – Water System*. Mr. Collins was named Senior Assistant General Manager of the Water System in August 2021. He has over 32 years of experience with the Department, both in engineering and managerial capacities involving planning, designing, construction, project management, construction management, procurement, operations, and maintenance. Mr. Collins most recently served as Director of the Water Operations Division where he was responsible for Water System operations and maintenance activities of water transmission and treatment facilities in the Metropolitan-Los Angeles Area, as well as those of the Los Angeles Aqueduct system. He also oversaw the Owens Lake Dust Mitigation Program and managed Water System's property issues and real estate holdings. Previously, he served as Assistant Director of Water Operations Division. Before joining the Water Operations Division, he was the Assistant Director of Water Engineering and Technical Services Division, and Acting Director of Supply Chain Services. Mr. Collins received his Bachelor of Science degree in Civil Engineering from California State University, Northridge and a Master of Business Administration degree from Pepperdine University. He is a registered Civil Engineer in the State of California.

KATHY M. FONG, *Assistant Chief Financial Officer and Controller*. Ms. Fong was named Assistant Chief Financial Officer and Controller of the Department in March 2020 after serving as the Acting Assistant Chief Financial Officer and Controller of the Department since March 2018. Ms. Fong previously served as Assistant Controller – Financial Reporting of the Department from August 2014 through February 2018 and held the role of Manager of Financial Reporting of the Department from June 2008 through July 2014. Prior to being appointed as the Manager of Financial Reporting in 2008, Ms. Fong served as the Assistant to the Manager of the Budget Office since 2002. Ms. Fong has over 34 years of accounting and budgeting experience. Ms. Fong holds a bachelor's degree in business administration with an option in accounting from California State University, Los Angeles and is a certified public accountant in the State and a certified management accountant.

PETER HUYNH, *Assistant Chief Financial Officer and Treasurer; Assistant Auditor*. Mr. Huynh was named Assistant Chief Financial Officer and Treasurer of the Department in October 2020 and Assistant Auditor of the Department in February 2021. Prior to his appointment as Assistant Chief Financial Officer and Treasurer, Mr. Huynh served as the Assistant Director of Finance and Risk Control Division of the Department since July 2006. He has over 34 years of financial management experience in debt management, risk control, financial planning, accounting, and auditing. Mr. Huynh holds a bachelor's degree in art and a certificate in accountancy from the California State University, Los Angeles. He also has a master's degree in business administration from Pepperdine University. Mr. Huynh is a certified public accountant in the State, a certified management accountant, and a chartered global management accountant.

Employees

As of October 31, 2024, the Department assigned approximately [●] Department employees to the Water System on a full time basis. Approximately [●] additional Department employees support both the Water System and the Power System on a shared basis.

The Department conducts personnel functions in accordance with the Charter-established civil service system (the “Civil Service System”) applicable to most Department employees. In accordance with the Civil Service System, the Department makes appointments on the basis of merit through competitive examinations and civil service procedures. The position of General Manager and 18 other management positions are specifically exempted from the Civil Service System.

The City Council approves the wages and salaries paid to all Department employees. In accordance with State law (the Meyers-Milias-Brown Act) and a conforming City ordinance (the Employee Relations Ordinance), the Department recognizes fourteen bargaining units of Department employees. Five labor or professional organizations represent these employees’ bargaining units. In the bargaining process the Department and the labor or professional organizations develop memoranda of understanding which set forth wages, hours, overtime and other terms and conditions of employment.

The International Brotherhood of Electrical Workers (“IBEW”) represents more than 90% of the Department’s employees through ten bargaining units. The Department’s ten memoranda of understanding with IBEW have a term which commenced on October 1, 2022 and which expire on September 30, 2026.

The Department’s memoranda of understanding with the Management Employees Association, Load Dispatchers Association, and Association of Confidential Employees, expire on December 31, 2025. The Department’s memorandum of understanding with the Service Employees International Union, Security Unit, expires on September 30, 2026. Since the advent of collective bargaining in 1974, work stoppages have been rare, occurring in 1974, 1981 and 1993.

Retirement and Other Benefits

Retirement, Retiree Medical, Disability and Death Benefit Insurance Plan. The Department has a funded contributory retirement, disability, and death benefit insurance plan covering substantially all of its employees. The Water and Power Employees’ Retirement, Disability, and Death Benefit Insurance Plan is a retirement system of employee benefits and includes the Water and Power Employees’ Retirement Fund (the “Retirement Plan”), which is more fully described in “Note (7) Retirement Plan” (“Note 7”) and the “Required Supplementary Information” of the Department’s Water System Financial Statements, attached hereto as “APPENDIX A—FINANCIAL STATEMENTS.”

The costs of the Retirement Plan are shared by the Water System and the Power System, with the Water System being responsible for approximately 33% of Retirement Plan costs. Since Fiscal Year 2014-15, the assumed rate of investment return on the Retirement Plan’s assets has been incrementally decreased from 7.75% to 6.50%. Most recently, effective July 1, 2022, the Retirement Board lowered the assumed rate of return from 7.00% to 6.50%. A decrease of the assumed rate of return will generally contribute to an increase in the Department’s required contributions to the Retirement Plan, including the Water System’s share. The budgeted contributions described below for the Fiscal Year ending June 30, 2023 take into account this change in the discount rate. Investment return assumptions are determined through the Retirement Plan’s Experience Study, which was most recently published on May 20, 2022.

As more fully described in Note 7(d), the Water System made contributions to the Retirement Plan of approximately \$[●] million in Fiscal Year 2023-24 (as part of a total Department contribution of

approximately \$[•] million), and the Water System made contributions to the Retirement Plan of approximately \$120 million in Fiscal Year 2022-23 (as part of a total Department contribution of approximately \$369 million). For the Fiscal Year ending June 30, 2025, the Department has budgeted a contribution of approximately \$[•] million to be paid from the Water Revenue Fund to the Retirement Plan (as part of a total Department budgeted contribution of approximately \$[•] million). The Department also has made, and will continue to make in the future, contributions to the Plan from the Power Revenue Fund.

The Department follows the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27* (“GASB No. 68”). GASB No. 68 requires employers with pension liabilities to disclose the net pension liability along with deferred inflows and outflows of resources related to the pension liability. As approved by the Board, a regulatory asset has also been recorded, because this liability is expected to be funded by future revenues of the Water System. For more information about how GASB No. 68 affected the financial statements of the Water System, see “Note (4) Regulatory Assets and Liabilities” and “Required Supplementary Information” of the Department’s Water System Financial Statements, attached hereto as “APPENDIX A—FINANCIAL STATEMENTS.” Specifically, see Note 4(d) for a discussion of the Water System’s establishment of the regulatory asset discussed above.

According to the latest actuarial valuation and review of the Retirement Plan that was completed by The Segal Company on September [•], 2024, as of July 1, 2024, the market value of the assets in the Retirement Plan was approximately \$[•] billion, which results in an [unfunded] actuarial accrued liability (based on the market value of assets) of approximately \$[•] million; the actuarial value of the assets in the Retirement Plan as of such date was approximately \$[•] billion, which would result in an unfunded actuarial accrued liability (based on the actuarial value of assets) of approximately \$[•] million. As of July 1, 2024, the Retirement Plan had unrecognized investment losses of approximately \$[•] million. The Retirement Plan employs a five-year smoothing technique to value assets in order to reduce the volatility in contribution rates. The impact of this will result in “smoothed” assets that are lower or higher than the market value of the assets depending upon whether the remaining amount to be smoothed is a net gain or a net loss. If the net deferred losses for the year ended June 30, 2024 were recognized immediately in the actuarial value of assets, the aggregate required contributions to the Retirement Plan for Fiscal Year 2024-25 would increase from approximately [•]% of total Department covered payroll to approximately [•]% of total Department covered payroll. Additionally, if the net deferred losses in all available Retirement Plan funds were recognized immediately in the actuarial value of assets, the funded ratio of the Retirement Plan as of June 30, 2024 would decrease from approximately [•]% to approximately [•]%.

According to the actuarial valuation and review of the Retirement Plan that was completed by The Segal Company on September 22, 2023, as of July 1, 2023, the market value of the assets in the Retirement Plan was approximately \$16.4 billion, which would result in an unfunded actuarial accrued liability (based on the market value of assets) of approximately \$582.0 million; the actuarial value of the assets in the Retirement Plan as of such date was approximately \$16.6 billion, which would result in an unfunded actuarial accrued liability (based on the actuarial value of assets) of approximately \$411.5 million. As of July 1, 2023, the Retirement Plan had unrecognized investment losses of approximately \$171.0 million. The Retirement Plan employs a five-year smoothing technique to value assets in order to reduce the volatility in contribution rates. The impact of this will result in “smoothed” assets that are lower or higher than the market value of the assets depending upon whether the remaining amount to be smoothed is a net gain or a net loss. If the net deferred losses for the year ended June 30, 2023 were recognized immediately in the actuarial value of assets, the aggregate required contributions to the Retirement Plan for Fiscal Year 2023-24 would have increased from approximately 31.4% of total Department covered payroll to approximately 32.6% of total Department covered payroll. Additionally, if the net deferred losses in all available Retirement Plan funds were recognized immediately in the actuarial value of assets, the funded

ratio of the Retirement Plan as of June 30, 2023 would have decreased from approximately 97.6% to approximately 96.6%.

Contribution requirements for the Fiscal Year ending June 30, 2025 are set based on the asset values as of June 30, 2024, and it is not possible to predict where the market will be at that time. Significant losses in market value or the failure to achieve projected investment returns could increase unfunded pension liabilities and future pension costs. However, the Retirement Plan uses a five-year asset smoothing period of the differences between the actual market return and the expected return on the market value of assets to manage short-term volatility, as a result of which, the immediate fiscal impact of any one year's negative return on the Department's contribution rates is reduced.

Effective January 1, 2014, the Board approved a new tier for new Retirement Plan members called "Tier 2." Tier 2 provides reduced retirement benefits, requires the employee to contribute a higher percentage of pay to the Retirement Plan, and ends the reciprocity agreement with the City's retirement plan. The Coalition of L.A. City Unions, whose members are not employed at the Department, has challenged the ending of the reciprocity agreement. The City is defending the challenge against the decision to end the reciprocity agreement. The outcome of the challenge to end the reciprocity agreement is not expected to have a material adverse impact on the Department or the Retirement Plan. The Retirement Plan's actuary estimates the amount of contribution required to fund the benefit allocated to the current year of service (the "Normal Cost"), as a percentage of payroll, will be 5.61% for Tier 2 (as compared to 16.35% for Tier 1), and the new tier of benefits is projected to generate a present value savings of \$877 million over the next 30 years (based on the 7.75% assumed rate of investment return on the Retirement Plan's assets, which was in effect when Tier 2 was approved). According to the latest actuarial valuation and review of the Retirement Plan, which was completed by The Segal Company on September 22, 2024, the estimated contribution for Fiscal Year 2024-25 required to fund the benefit allocated to the Normal Cost, as a percentage of payroll, will be [●]% for Tier 2 (as compared to [●]% for Tier 1). As of the July 1, 2024 actuarial valuation report, [53]% of active Department members were covered under Tier 2.

Other Postemployment Benefit (Healthcare) Plan ("OPEB"). The Department provides certain healthcare benefits (the "Healthcare Benefits") to active and retired employees and their dependents. These Healthcare Benefits are more particularly described in "Note (8) Other Postemployment Benefit Plans" ("Note 8") and the "Required Supplementary Information" of the Department's Water System Financial Statements, attached hereto as "APPENDIX A—FINANCIAL STATEMENTS."

The costs of the Healthcare Benefits are shared by the Water System and the Power System, with the Water System historically being responsible for approximately 33% of the costs of the Healthcare Benefits. As more fully described in Note 8, the Water System paid Healthcare Benefits of approximately \$[●] million in Fiscal Year 2023-24 (as part of a total Department contribution of approximately \$[●] million), and the Water System paid Healthcare Benefits of approximately \$37.3 million in Fiscal Year 2022-23 (as part of a total Department contribution of approximately \$113.2 million). For the Fiscal Year ending June 30, 2025, the Department has budgeted approximately \$[●] million to be paid from the Water Revenue Fund for Healthcare Benefits (as part of a total Department budgeted contribution of approximately \$[●] million). The Department also has paid, and will continue to pay in the future, Healthcare Benefits from the Power Revenue Fund, for the Power System's Healthcare Benefits costs.

According to the latest actuarial valuation and review of the Healthcare Benefits, which was completed by The Segal Company on November [●], 2024, as of June 30, 2024, the market value of the assets of the Healthcare Benefits was approximately \$[●] billion, which would result in an overfunded actuarial accrued liability (based on the market value of assets) of approximately \$[●] million; the actuarial value of the assets in the Healthcare Benefits as of such date was approximately \$[●] billion, which would

According to the actuarial valuation and review of the Healthcare Benefits, which was completed by The Segal Company on November 6, 2023, as of June 30, 2023, the market value of the assets of the Healthcare Benefits was approximately \$3.0 billion, which would result in an overfunded actuarial accrued liability (based on the market value of assets) of approximately \$345.8 million; the actuarial value of the assets in the Healthcare Benefits as of such date was approximately \$3.0 billion, which would result in an overfunded actuarial accrued liability (based on the actuarial value of assets) of approximately \$371.7 million. As of June 30, 2023, the Healthcare Benefits had unrecognized investment gains of approximately \$25.9 million. The actuarial valuations of the Healthcare Benefits employ a smoothing policy which requires that market gains and losses be recognized in even increments over five years. As a result, the impact of this will result in “smoothed” assets that are lower or higher than the market value of the assets depending upon whether the remaining amount to be smoothed is either a net gain or a net loss. As of June 30, 2023, the ratio of the actuarial value of assets to actuarial accrued liabilities increased from 106.84% to 114.16%. On a market value of assets basis, the funded ratio increased from 104.95% to 113.17%.

For a schedule that provides information about the Department’s overall progress made in accumulating sufficient assets to pay Healthcare Benefits when due, prior to allocations to the Water System and the Power System, see the “Required Supplementary Information” of the Department’s Water System Financial Statements, attached hereto as APPENDIX A – “FINANCIAL STATEMENTS.”

Effective July 1, 2017, the Department follows the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, an amendment of GASB Statement No. 45 (“GASB No. 75”). GASB No. 75 requires employers with other postemployment liabilities to disclose the net postemployment liability along with deferred inflows and outflows of resources

related to the other postemployment liability. The Department adopted the provisions of GASB No. 75 beginning for the Fiscal Year ended June 30, 2018. Accordingly, the cumulative effect of the impact on net position as of July 1, 2017 was negative \$661.2 million. As of June 30, 2024, the Water System had a net OPEB liability surplus of \$[•] million comprised of \$[•] million surplus of retiree medical and \$[•] million liability in death benefits. As of June 30, 2023, the Water System had a net OPEB liability surplus of \$5.8 million comprised of \$42.8 million surplus of retiree medical and \$37.0 million liability in death benefits. As approved by the Board, a regulatory asset has also been recorded, because this liability is expected to be funded by future revenues of the Water System. For more information about how GASB No. 75 affected the financial statements of the Water System, see “Note (4) Regulatory Assets and Liabilities” and “Required Supplementary Information” in the Department’s Water System Financial Statements, attached hereto as Appendix A – “FINANCIAL STATEMENTS.” Specifically, see Note 4(e) for a discussion of the Water System’s establishment of the regulatory asset discussed above.

Transfers to the City

Pursuant to the Charter, the City Council may, subject to the provisions of contractual obligations, direct a transfer of surplus money in the Water Revenue Fund to the City’s reserve fund (a “Water Transfer”) with the consent of the Board. However, the Los Angeles County Superior Court ruled that the Water Transfer was unconstitutional under Proposition 218 (as defined herein) and could not be made by the Department to the City. The City did not appeal the Court’s ruling. The Department has made no Water Transfers since Fiscal Year 2005-06 and has no current plans to make any Water Transfers in the future.

Insurance

The Department’s insurance program currently consists of a combination of commercial insurance policies, a wildfire Catastrophe Bond (“CAT Bond”) and self-insurance. All general liability claims within the Department’s self-insured retention are administered under the Department’s self-insurance program and the Department carries commercial excess general liability insurance above its self-insured retention. There are two separate towers of insurance. The first is for non-wildfire losses. After meeting the \$3 million retention, the program has a primary layer of \$35 million, which includes 50% of co-insurance for the 2024-25 policy year (April 2024 to April 2025). Co-insurance is a designated percentage of the policy that is retained by the Department and the remaining policy amount is recoverable from the insurer. Above the primary layer of \$35 million are additional layers of commercial liability insurance that provide an additional \$125 million of coverage, which has no co-insurance and would provide coverage up to the policy limits. The total limit available for non-wildfire losses is \$160 million. There is a second tower of insurance that is solely for wildfire losses. The Department has a total of \$100 million in self-insured retention that serves as its primary layer for wildfire coverage and above that primary self-insurance retention layer, the Department has procured an additional \$85.5 million of commercial wildfire insurance, totaling an insurance tower of \$185.5 million. To complement its overall wildfire insurance program, the Department has further provided for \$31.5 million of wildfire coverage through a CAT Bond. [The \$31.5 million indemnity wildfire CAT Bond, which is for the three-year period from September 2021 to September 2024, has an attachment point at \$125 million and is intended to cover a portion of any large claim that might exceed the self-insurance and commercial insurance coverage.] CAT Bonds are multi-year issuances and pay out based on a catastrophic wildfire event that occurs within the three-year period of the specific bond. CAT Bonds allow the Department to obtain additional wildfire coverage capacity outside of a commercial insurance policy, but, unlike commercial insurance, the Department achieves a premium cost that is fixed and known for the three-year period of the bond. Through the utilization of commercial insurance, the CAT Bond and self-insurance, the wildfire insurance program has a total limit of \$217 million available for wildfire losses.

Going forward, including following the expiration of the coverage period for the existing CAT Bond, the Department will continue to consider any available coverage options in the market in order to ensure that the Department is adequately protected against catastrophic liability events and wildfires. In addition to the excess general liability insurance programs and the existing CAT Bond issuance, the Department continues to maintain a bona fide program of self-insurance. [As of September 30, 2024, the portion of the Water Revenue Fund set aside for self-insurance had a balance of approximately \$[•] in a restricted cash account.] The Water Revenue self-insurance fund is specific to the Water System and is primarily designed to cover a large catastrophic event that could affect the Water System operations (i.e., floods, dam malfunctions). The Department annually reviews the amount retained for self-insurance and may adjust such amount if it deems such adjustment appropriate.

The Department has purchased a primary cyber insurance policy, with a self-insured retention component. This insurance policy covers certain types of cyber incidents and provides reimbursement coverage for costs to respond to data privacy or security incidents and for expenses incurred in connection with the investigation, prevention, and resolution of any cyber threat.

The Department commercially insures its physical plant through a policy of all risk property insurance, which is written on a replacement cost-basis. The policy covers all risk of physical loss or damage to buildings, structures, auxiliary and main plant equipment. Such insurance has a policy loss limit of \$500 million for all claims in a single policy year. The all-risk property insurance has a deductible of \$5 million. The Department has secured earthquake coverage and sudden and accidental pollution coverage as part of its all-risk property insurance program.

The Department's physical plant coverage does not provide coverage in certain events including terrorism or war. However, the Department has purchased a Terrorism Limits and Terrorism Risk Insurance Extension Act of 2005 ("TRIEA") Endorsement (the "Endorsement") to its excess general liability coverage under which coverage is extended to cover losses resulting from certain acts certified by the Secretary of the U.S. Department of the Treasury to be an act of terrorism, as defined in TRIEA. Currently, from 2002 through December 31, 2027, the Endorsement limits insurers liability for losses resulting from certified acts of terrorism when the amount of such losses exceed \$100 billion in any one calendar year. If the aggregate insured losses for all insurers exceed \$100 billion, the Department's coverage may be reduced.

The Department continuously evaluates its insurance program and may modify the current configuration of commercial insurance and self-insurance with respect to the Water System. Insurance limits maintained by the Department are subject to change depending on market conditions and assessments by the Department as to risk exposure. The utilization of commercial insurance along with alternative risk options such as CAT Bonds allows the Department to strengthen its overall risk management program as well as provide flexibility in setting and adjusting its self-insurance retention limits as part of the continual review of the Department's insurance budget.

Investment Policy and Controls

Department's Trust Funds Investment Policy. The majority of the Water System funds are held in the Water Revenue Fund, investments of which are managed by the Office of Finance of the City. The funds have been invested as part of the City's investment pool program since 1983. Certain financial assets of the Department that are held in the Expense Stabilization Fund more fully described in "Note (5) – Cash, Cash Equivalents, and Investments" in "APPENDIX A—FINANCIAL STATEMENTS" with an independent trustee are not included in the City's investment pool program. The Department manages the investment of the Expense Stabilization Fund in which approximately \$[•] million (investments at fair market value) was on deposit as of October 31, 2024. The Department's investment of such funds complies with the California Government Code in all material respects and such funds are invested according to the

Department's Trust Funds Investment Policy (the "Trust Funds Investment Policy"), which sets forth investment objectives and constraints. For more information about the Trust Funds Investment Policy, see "Note (5) – Cash, Cash Equivalents, and Investments" in "APPENDIX A—FINANCIAL STATEMENTS." The Expense Stabilization Fund is held by U.S. Bank Trust Company, National Association as trustee/custodian.

Under the Trust Funds Investment Policy, the Department's investment program seeks to accomplish three specific goals: (i) preserve the principal value of the funds, (ii) ensure that investments are consistent with each individual fund's liquidity needs and (iii) achieve the maximum yield/return on the investments.

The overall responsibility for managing the Department's investment program for the Expense Stabilization Fund rests with the Department's Chief Financial Officer, who directs investment activities through the Department's Assistant Chief Financial Officer and Treasurer. An Investment Committee, comprised of the City Controller, a Board member designated by the Board President, the General Manager and the Department's Chief Financial Officer (the "Department Investment Committee") is charged with oversight responsibility. The Trust Funds Investment Policy is adopted by the Board from time to time, and fund activity is reviewed periodically by the Department Investment Committee to ensure its consistency with the overall objectives of the policy, as well as its relevance to current law and financial and economic trends.

The Department's Assistant Chief Financial Officer and Treasurer or his designee reviews all investment transactions for the Expense Stabilization Fund on a monthly basis for control and compliance and submits quarterly investment reports that summarize investment income to the Department Investment Committee, the Board and the Mayor for information and evaluation.

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The following table describes the investments held in the Expense Stabilization Fund as of October 31, 2024.

**WATER EXPENSE STABILIZATION FUND
INVESTMENTS
ASSETS AS OF OCTOBER 31, 2024
(Dollars in Thousands)
(Unaudited)**

	Fair Market Value
U.S. Government Agencies	
Medium term corporate notes	
Certificates of deposit	
U.S. Government Securities	
Supranational obligations	
Other state bonds and commercial paper	
Money market funds	
Municipal obligations	
California state bonds and commercial paper	
Total*	

Source: Department of Water and Power of the City of Los Angeles.

* Totals may not equal sum of parts due to rounding.

City Investment Policy. The Office of Finance of the City invests temporarily idle cash on behalf of the City, including that of the proprietary departments, such as the Department, as part of a pooled investment program. As of October 31, 2024, the Water System had approximately \$[] million of unrestricted cash and approximately \$[●] million of restricted cash on deposit with the City. This month-end amount does not reflect the GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* fair market value adjustment. For information regarding the fair market value adjustment of the Department’s pooled investment fund assets as of June 30, 2024, see Note 5(b) in the Department’s Water System Financial Statements, attached hereto as “APPENDIX A—FINANCIAL STATEMENTS.” This amount is in addition to the amounts on deposit in the Expense Stabilization Fund. The City’s pooled investment program combines general receipts with special funds for investment purposes and allocates interest earnings and losses on a pro-rata basis when the interest is earned and distributes interest receipts based on the previously established allocations. The primary responsibilities of the City Treasurer and the pooled investment program are to protect the principal and asset holdings of the City’s portfolio and to ensure adequate liquidity to provide for the prompt and efficient handling of City disbursements. Funds invested by the Water System in the pooled investment program are available for withdrawal within five business days without penalties. In addition, [20]% of the pool, as of June 30, 2024, had maturities less than one month and [39]% of the pool, as of June 30, 2024, had maturities of one year or less.

The following table describes the investments held in the City’s Pooled Investment Fund (which includes amounts held in the City’s General Investment Pool and the City’s Special Investment Pool) as of September 30, 2024.

CITY OF LOS ANGELES POOLED INVESTMENT FUND			
ASSETS AS OF SEPTEMBER 30, 2024			
(Dollars in Thousands)			
(Unaudited)			
	Amount ¹	Percent of Total ¹	Water System Share ^{1,2}
U.S. Treasury Notes			
U.S. Agencies Securities			
Medium-Term Notes			
Short-Term Investment Funds			
Commercial Paper			
Asset-Backed Securities			
Supranational			
Securities Lending Short-Term			
Repurchase Agreement			
Total General and Special Pools³			

Source: Department of Water and Power of the City of Los Angeles and Los Angeles City Treasurer.

¹ Fair Market Value as of September 30, 2024.

² Department funds held by the City are both unrestricted and restricted funds.

³ Totals may not equal sum of parts due to rounding.

The City’s investment operations are managed in compliance with the California Government Code and the City’s statement of investment policy, which sets forth permitted investments, liquidity parameters and maximum maturity of investments. The investment policy is reviewed and approved by the City Council on an annual basis.

Monthly reports of investment activity are presented to the Mayor, the City Council and the Department to indicate, among other things, compliance with the investment policy. The City’s Office of Finance does not invest in structured and range notes, securities that could result in zero interest accrual if held to maturity, variable rate, floating rate or inverse floating rate investments and mortgage-derived interest or principal-only strips.

The investment policy permits the City’s Office of Finance to engage custodial banks to enter into short-term arrangements to lend securities to various brokers. Cash and/or securities (United States Treasuries and Federal Agencies only) collateralize these lending arrangements, the total value of which is at least 102% of the market value of securities loaned out. The securities lending program is limited to a maximum of 20% of the market value of the City’s Office of Finance’s pool by the City’s investment policy and the California Government Code.

For more information about the investments in the City’s Office of Finance pool, see “Note 5—Cash, Cash Equivalents, and Investments” in “APPENDIX A—FINANCIAL STATEMENTS”.

WATER RATES

Water Rate Ordinance

General. Under the Charter, the rates and charges for water and water services provided by the Department (the “Water Rates”) are set by the Board subject to approval by the City Council by ordinance (the “Water Rate Ordinance”). The Charter also provides that such rates will, except as otherwise authorized by the Charter, be of uniform operation for customers of similar circumstances throughout the City, as near as may be, and will be fair and reasonable, taking into consideration, among other things, the nature of the uses, the quantity supplied and the value of the service.

The Water Rate Ordinance establishes base rates (“Base Rates”) based on the volume of water consumed and an annual high and low season based on the historic wet and dry periods of the year. In addition to the Base Rates, the Water Rate Ordinance includes pass-through adjustments (“Pass-Through Adjustments”) to provide revenues with respect to special categories of expenses, including water purchased from the Metropolitan Water District of Southern California (“Metropolitan”). Changes in Water Rates which are within the limits of the Water Rate Ordinance do not constitute a change in the Water Rate Ordinance and are instituted by Board action and do not require City Council approval. The Water Rate Ordinance also contains special provisions for specified classes of customers, including low income persons, recycled water users, and certain large turf and agricultural, commercial and industrial customers.

Current Water Rates and Rate Structure. The current Water Rate Ordinance was enacted by the City Council on March 15, 2016, and went into effect on April 15, 2016. The Water Rate Ordinance includes, among other things (i) increased Base Rates for single-family residential customers, multi-dwelling unit residential customers and commercial, industrial and governmental and temporary construction customers in each Fiscal Year between Fiscal Year 2015-16 (rates went into effect on April 15, 2016 for Fiscal Year 2015-16) and Fiscal Year 2019-20, (ii) Base Rates for single-family residential customers on a four-tier system (Base Rates for single-family residential customers under the previous Water Rate Ordinance, which was replaced on April 15, 2016 (the “Previous Water Rate Ordinance”), had only two tiers) based on the volume of water consumed and an annual high and low season based on the historic wet and dry periods of the year, and (iii) six Pass-Through Adjustments.

Average total Water Rates per one hundred cubic feet of metered water for all customer classes were \$6.77 in Fiscal Year 2019-20 and were \$[] in Fiscal Year 2023-24. See “—Water Rates Between Fiscal Years 2019-20 and 2023-24” below. [Based on the Department’s current financial plan, Base Rates for Fiscal Year 2024-25 are expected to stay the same as the Base Rates that were in effect for Fiscal Year 2023-24.] See “—Procedures for Changes to the Water Rate Ordinance—Interim Rate Review” for a discussion of the current status of the Department’s plans to bring a new rate action to the Board.

The Pass-Through Adjustments are determined by the Board, generally on an annual or semi-annual basis (as described in further detail below). The Water Rate Ordinance does not contain a limit on the increases in the Pass-Through Adjustment for water procurement regarding purchased water, including water purchased from Metropolitan. The Water Rate Ordinance also does not include limits on the other Pass-Through Adjustments. The Water Rate Ordinance includes the following Pass-Through Adjustments:

- The water supply cost adjustment (the “Water Supply Cost Adjustment”) is designed to recover the costs of purchasing water, including water purchased from Metropolitan, operation and maintenance expenses for in-City pumping, conservation programs and reclaimed water. The Water Supply Cost Adjustment also will be used to align tier rates directly with water supply costs based on the cost of supply and level of usage. The Water

Supply Costs Adjustment is calculated two times each year and takes effect on the following January 1 and July 1, respectively.

- The water quality improvement adjustment (the “Water Quality Adjustment”) is designed to recover the costs of equalizing water quality throughout the City, meeting State and federal water quality standards, and providing security for the water supply, storage and conveyance infrastructure and related facilities, including construction, operation and maintenance and the payment of debt service on bonds issued for such purposes. The Water Quality Adjustment is calculated two times each year and takes effect on the following January 1 and July 1, respectively.
- The base rate revenue target adjustment (the “Base Rate Revenue Target Adjustment”) is designed to collect additional revenue or credit over-collected revenue to customers based on the consumption of the specific customer group in order to ensure complete recovery of the base rate revenue for each customer group. The Department sets annual Base Rate revenue targets and tracks the over and under-recovery for each customer group. The annual Base Rate revenue target for Fiscal Year 2024-25 is \$[•] million. The Base Rate Revenue Target Adjustment will recover/credit any shortages/overages in base rate revenue due to variations between projected and actual water sales. The Base Rate Revenue Target Adjustment is calculated one time each year and takes effect on the following January 1. See “WATER SUPPLY—Water Conservation Actions Taken in Response to Droughts; Water Rate Adjustments During Droughts.”
- The Owens Valley regulatory adjustment (the “Owens Valley Regulatory Adjustment”) is designed to recover capital and operating and maintenance costs of the Owens Lake Dust Mitigation Program, the Lower Owens River Project and the Owens Lake Master Project. See “FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY—Owens Valley and Mono Basis Environmental Commitments” for additional information on the Owens Lake Dust Mitigation Program and Lower Owens River Project. The Owens Valley Regulatory Adjustment is calculated two times each year and takes effect on the following January 1 and July 1, respectively.
- The water infrastructure adjustment (the “Water Infrastructure Adjustment”) is designed to recover the capital costs of specific investments to maintain and improve the reliability of the water distribution system. The Water Infrastructure Adjustment is calculated once each year and takes effect on the following July 1.
- The water expense stabilization adjustment (the “Water Expense Stabilization Adjustment”) is designed to recover any shortfalls between the target determined by the Chief Financial Officer for the Expense Stabilization Fund and the fund’s balance in order to stabilize rates in the event of unforeseen events impacting water service delivery and also the expense for legal and court costs or any judgment or settlement through application of the Water Expense Stabilization Adjustment factor. The Water Expense Stabilization Adjustment is calculated once each year and takes effect on the following January 1. As of October 31, 2024, approximately \$[•] million (investments at fair market value) was on deposit in the Expense Stabilization Fund.

In addition to the Water Rates, a utility project charge can be imposed on the Department’s customers in order to secure the repayment of “rate reduction bonds” pursuant to California Assembly Bill 850, as amended. As of the date of this Official Statement, a utility project charge has not been imposed on the Department’s customers. Additionally, the Department’s plan of finance for its capital improvement

program expected to be implemented between Fiscal Years 2024-25 and 2028-29 does not include the issuance of “rate reduction bonds”; however, the Department continues to evaluate if the issuance of “rate reduction bonds” would be advantageous to the Department. See “WATER SYSTEM INFRASTRUCTURE PROGRAM—Projected Capital Improvements” for additional information with respect to “rate reduction bonds”.

Water Rates Between Fiscal Years 2019-20 and 2023-24

Overall Water Rates (including the costs of water purchased from Metropolitan) [increased] approximately []% during Fiscal Year 2023-24 as compared to Fiscal Year 2022-23. The increased Water Rates in Fiscal Year 2023-24 were mainly as a result of increases in the [Water Supply Cost Adjustment Factor ([]%) and the Water Quality Adjustment Factor ([]%)] Overall Water Rates (including the costs of water purchased from Metropolitan) increased approximately 6.9% during Fiscal Year 2022-23 as compared to Fiscal Year 2021-22. The increased Water Rates in Fiscal Year 2022-23 were mainly as a result of increases in the Water Supply Cost Adjustment Factor (15.4%) and the Water Quality Adjustment Factor (60.0%). See “WATER SUPPLY—Sources of Water Supply.”

The application of the Department’s rate structure resulted in the following average rates for its customer classes and for its rate components for the last five Fiscal Years.

WATER SYSTEM AVERAGE RATES ¹					
Fiscal Year Ended June 30					
	2020	2021	2022	2023	2024
Average Rates Per Customer Class					
Single-Family Residential	\$7.46	\$7.75	\$8.28	\$8.58	
Multi-Family Residential	\$6.65	\$7.12	\$7.53	\$8.24	
Commercial, Governmental & Industrial	\$5.98	\$6.66	\$7.33	\$8.03	
Total System Average Rate (All Customer Classes) ²	\$6.77	\$7.24	\$7.76	\$8.30	
Average Rates Per Water Rate Component					
Purchased Water	\$1.81	\$2.25	\$2.63	\$3.04	
Other Rate Components	4.96	4.99	5.13	\$5.26	
Total System Average Rate ²	\$6.77	\$7.24	\$7.76	\$8.30	

Source: Department of Water and Power of the City of Los Angeles.

¹ Rates are per one hundred cubic feet of metered water usage.

² Amounts may not total due to rounding.

For Fiscal Years 2019-20 through 2023-24, on average, approximately [●]% of the Department’s water supply was provided from purchases of water from Metropolitan. As set forth in the following table, over the last five calendar years, the price of untreated water purchased from Metropolitan has increased approximately [●]%.

**Price of Water
Purchased from Metropolitan**

Calendar Year	Price Per Acre-Foot
2020	\$755
2021	777
2022	799
2023	855
2024	903

Source: Department of Water and Power of the
City of Los Angeles.

Metropolitan’s board of directors approved a full-service untreated tier 1 rate of \$[] per acre-foot that began on January 1, 2025 (a [●]% increase over the rate that was in effect for the year ended December 31, 2024). While the majority of water that the Department purchases from Metropolitan is untreated, the Department also purchases some treated water that, for the year ended December 31, 2024, had a treatment surcharge rate of \$353 per acre-foot, and for the year ending December 31, 2025, is expected to have a treatment surcharge rate of \$[●] per acre-foot. All Metropolitan water rate increases are passed through to the Department’s customers under the Water Supply Cost Adjustment factor and such increases are not subject to the procedures for changes to the Water Rate Ordinance, including City Council approval. The Department is required to provide 30-days’ notice to its customers before the effective date of any increase in rates resulting from an increase in Metropolitan’s rates. The Department expects Metropolitan water rates to increase in the future; however, at this time, the Department cannot predict the magnitude of these increases.

Procedures for Changes to the Water Rate Ordinance

General. The Department expects to request increases to the Water Rates in future Fiscal Years, which will be required, among other reasons, to fully fund the Department’s Water System capital improvement program, including the projects necessary to comply with federal and State water quality mandates. See “CERTAIN INVESTMENT CONSIDERATIONS—Costs of Capital Improvement Program; Increased Water Rates.” Under the Charter, changes to the Water Rate Ordinance are initiated by Board resolution and are subject to City Council approval by ordinance. A change in the Water Rate Ordinance to increase water rates is subject to Proposition 218, under which a majority protest would prevent such increase. See “Proposition 218” below. In addition, changes to the Water Rate Ordinance are subject to review within the City as described in “Neighborhood Councils” and “Office of Public Accountability” below.

The authority of the Board to impose and collect Water Rates and charges is not subject to the general regulatory jurisdiction of the California Public Utilities Commission (“CPUC”) or any other state agency. It is possible that future legislative and/or regulatory changes could subject Water Rates and/or the service area of the Department to the jurisdiction of the CPUC or to other limitations or requirements.

Neighborhood Councils. Pursuant to a Memorandum of Understanding with the City’s Neighborhood Councils, the Department agreed to use its best efforts to undertake a 90-day or 120-day notification and outreach period (depending on the duration of the Department’s proposed rate action) prior to submitting a residential or non-residential retail business customer water rate increase proposal involving changes to the Water Rate Ordinance to the Board for approval. The Neighborhood Councils have indicated they will use their best efforts to provide written input regarding such rate proposals to the Department

within 60 days of receiving the above-discussed notifications. In connection with the current Water Rate Ordinance, the Department gave the City's Neighborhood Councils 120 days' notice prior to submitting the current Water Rate Ordinance to the Board.

Office of Public Accountability. Section 683 of the Charter established the Office of Public Accountability (the "OPA") with respect to the Department. The primary role of the OPA is providing public, independent analysis to the Board and City Council about Department actions as they relate to water rates and electric rates. The role of the OPA is advisory rather than an approver of such rates. The OPA is headed by an Executive Director appointed by a citizens committee, subject to confirmation by the City Council and Mayor. The Executive Director of the OPA serves as the Ratepayer Advocate for the OPA. [On February 1, 2012, Dr. Frederick H. Pickel was appointed as Executive Director of the OPA (the "Ratepayer Advocate"); and on December 5, 2018, Dr. Pickel was reappointed as the Ratepayer Advocate for a five-year term. Dr. Pickel's term as Executive Director of OPA and Ratepayer Advocate expired on December 5, 2023, however, Dr. Pickel will continue to serve in those roles until his retirement, which is expected to occur by the end of 2024.] The water rate action effective April 15, 2016 was supported by the Ratepayer Advocate following his review of the proposed rate changes.

Public Outreach Process. The Department typically undertakes a public outreach process to inform customers of planned rate changes apart from recurring Pass-Through Adjustments. The last major Water Rate outreach commenced in 2015 when the Department initiated a public review process of the Department's then-proposed rate restructuring described above under "—Water Rate Ordinance—Current Water Rates and Rate Structure." Such outreach involved over 55 meetings with the public, Neighborhood Councils, business groups and other interested stakeholders. Additional outreach was conducted through printed and electronic media. The 2015 outreach culminated in the enactment of the current Water Rate Ordinance by City Council on March 15, 2016.

Interim Rate Review. The current rate action covered a 5-year period from Fiscal Year 2015-16 through Fiscal Year 2019-20. In 2019, the Department and the OPA each conducted their ordinance-mandated independent interim rate review of the current Water Rate Ordinance. As part of this review, the Board made no changes to the Base Rate revenue targets as stated in the Water Rate Ordinance for Fiscal Years 2018-19 and 2019-20. In accordance with the Water Rate Ordinance, for Fiscal Year 2020-21 and each Fiscal Year thereafter, the Base Rate revenue targets are established by the Board by resolution prior to the start of the respective Fiscal Year. [The Base Rate revenue targets for Fiscal Year 2024-25 were increased by [•]% from the Base Rate revenue targets in effect during Fiscal Year 2023-24]. The increase to the Base Rate revenue targets will continue to provide the Department with sufficient revenues to meet the rate covenant under the Master Resolution and the Board adopted financial metrics described under "WATER RATES—Board Adopted Financial Planning Criteria."

As part of the interim rate review, the OPA recommended, and the Department supported the recommendation, to use a four-year rate action cycle, rather than replicate the current five-year rate action cycle. The Department planned to formally propose the next rate action to the Board no later than January 1, 2021, with the goal that such rate action would be presented to the Board for its final approval by May 1, 2021, and take effect by October 1, 2021. As a result of the COVID-19 pandemic, the Department decided not to formally propose the next rate action to the Board by January 1, 2021, and therefore, the next rate action did not take effect by October 1, 2021. Even though the Department decided to delay the next rate action, for Fiscal Years 2020-21, 2021-22 and 2022-23, the Department met and will continue to meet the rate covenant under the Master Resolution and expects to continue to meet the Board adopted financial metrics described under "WATER RATES—Board Adopted Financial Planning Criteria." [The Department is in the process of reviewing the current Water Rate Ordinance and, based on current and assumed market conditions, determining what changes, if any, need to be made in connection with the next rate action. Department staff expects to start a water rate review in the first six months of calendar year

2025, but is still reviewing the need and proposed schedule for the next water rate action with the Chief Executive Officer.]

Proposition 218. On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees, and charges. The City is a local government within the meaning of Articles XIII C and XIII D, and the Water Rates are fees and charges within the meaning of Articles XIII C and XIII D.

Section 3 of Article XIII C expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Article XIII C to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996. “Fees” and “charges” are not expressly defined in Article XIII C or in SB 919, the Proposition 218 Omnibus Implementation Act (“SB 919”), which was enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIII C and Article XIII D. However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil* (the “Bighorn Decision”) that charges for ongoing water delivery are property-related fees and charges within the meaning of Article XIII D and are also fees or charges within the meaning of Section 3 of Article XIII C. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIII C, although the water agency’s governing board may then raise other fees or impose new fees without prior voter approval.

The California Supreme Court stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the City’s voters will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIII D also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that

service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

The Department believes that it has complied with the requirements of Proposition 218 with respect to the Water Rates currently charged under the Water Rate Ordinance and the Water Rate increases approved as part of the enactment of the Water Rate Ordinance in March 2015. Such compliance included mailing of notices to affected property owners (and separately, to ratepayers) and holding public hearings. The Department also expects to comply with the requirements of Proposition 218 with respect to future proposed Water Rate increases. See “LITIGATION—Water Rates Litigation” for a discussion of [two] lawsuits filed by certain ratepayers of the Department that allege, among other things, that the Water Rates currently charged under the Water Rate Ordinance are unconstitutional and violate Proposition 218.

In the event that proposed increased rates or charges cannot be imposed as a result of a majority protest or an initiative, such circumstances may adversely affect the ability of the Department to generate revenues sufficient to pay the principal of or the interest on the Series A Bonds. However, as a matter of practice, the Department endeavors not to make significant financial commitments including capital spending or issuance of Bonds without having rate levels approved to cover such obligations. Accordingly, in the event that needed rate increases are not forthcoming, the Department would aim to adjust spending levels accordingly.

As discussed above, Article XIIC extends the initiative power in matters of local taxes, assessments, fees, and charges. In addition, the California Supreme Court held in the Bighorn Decision that charges for ongoing water delivery are fees or charges within the meaning of Section 3 of Article XIIC. Consequently, the voters of the City could, by future initiative, repeal, reduce, or prohibit the future imposition or increase of any local tax, assessment, fee or charge, including the Department’s water rates. While no assurance can be given that the voters of the City will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees, or charges, including the Department’s water rates, the Department may set entirely new rates or increase other charges to service obligations payable from the Water Revenue Fund, subject to its rate adjustment and approval procedures, without prior voter approval.

Proposition 26. In 2010, California voters approved Proposition 26 (“Proposition 26”), an initiative measure amending Article XIIC of the State Constitution to add a new definition of “tax”. Each such tax cannot be imposed, extended or increased by a local government without voter approval. Article XIIC of the State Constitution, as amended by Proposition 26, defines “tax” to include any levy, charge, or exaction imposed by a local government, except, among other things, (a) charges imposed for benefits conferred, privileges granted, or services or products provided, to the payor (and not to those not charged) that do not exceed the reasonable costs to the local government of conferring, granting or providing such benefit, privilege, service, or product, and (b) property-related fees imposed in accordance with the provisions of Article XIID of the State Constitution (see “Proposition 218 above”). The Department believes that its water rates and charges do not constitute taxes as defined in Article XIIC of the State Constitution.

Board Adopted Financial Planning Criteria

The Board has directed the Department to use the following criteria when preparing the Water System’s financial plans with respect to Water Rates: (i) maintain a minimum debt service coverage at 1.70 times, (ii) maintain a minimum operating cash target of the equivalent of 150 days of operating expenses, and (iii) maintain a debt-to-capitalization ratio of less than 65%. These criteria are subject to ongoing reviews and adjustments by the Board with advice from the Department’s municipal advisors and were last revised on May 20, 2014. The Water Rates being charged under the Water Rate Ordinance are designed to meet these criteria.

Rate Covenant

The Board is obligated under the Charter and the Master Resolution to establish rates for water service and collect charges in an amount which, together with other available funds, will be sufficient to service the Department's Water System indebtedness and to meet its expenses of operation and maintenance. See "SOURCE OF PAYMENT—Rate Covenant" for details related to such rate covenant.

Billing and Collections

General. With some limited exceptions, the Department currently bills residential customers on a bimonthly basis and commercial and industrial customers on a monthly basis. The Department prepares bills covering water and electric charges and non-Department charges (such as sewer services, solid waste resources fee and State and local taxes). If the Department ever imposes the utility project charge associated with the "rate reduction bonds," it also would be included on the bills the Department sends to its customers. The Department does not have any current plans to impose a utility project charge. Payments are posted in the following order: overdue receivables, customer deposits, water charges (including the utility project charge associated with the rate reduction bonds, if any), electric charges, State and local taxes, sewer service charges, solid waste resources fees and bulky item fees. Within overdue receivables, payments received are applied in the same order for which payments are posted for current receivables.

In September 2022, the Department launched a new Level Pay system that provides eligible residential customers the opportunity to pay a monthly recurring amount for utility services based on an average of the customer's past usage and costs over the previous 12 months. Payment terms of 12, 24 and 36 months are available. At the end of the payment term, Level Pay will automatically renew and the monthly amount will be recalculated. Any underpayment or overpayment will be rolled into the calculation of the next term. The customer may cancel Level Pay at any time. It is not known at this time how many customers will ultimately sign up for Level Pay. Participation to date has been minimal, but is continuing to increase. The Department does not anticipate Level Pay to have a materially adverse impact on its finances or operations.

Billing System. In September 2013, the Department launched a new customer information and billing system, designed and implemented by Pricewaterhouse Coopers LLP. Immediately following the launch of the new billing system, the Department experienced numerous billing issues in connection with the new system, including, but not limited to, (a) the inability to issue bills to customers, (b) the inability to issue accurate bills to customers, (c) an increase in estimated bills that were sent to customers where metering information was not available, and (d) the inability to generate multiple business reports, including financial reports reflecting the Department's accounts receivable. The new customer information and billing system is currently being used by the Department. The Department continues to work to improve the functionality of the system to meet the Department's original expectations for the new system.

Delinquencies. Based on annual historical experience of delinquencies, the Department historically has been unable to collect approximately 0.7% of the amounts billed to its customers. However, the allowance for doubtful accounts for the Fiscal Year ended June 30, 2024 was increased to approximately [●]% of Water System sales, creating an allowance of \$[●] million as of June 30, 2024. The Water System's accounts receivables (including the Culver City utility user's tax, which is subsequently transferred to Culver City) as of June 30, 2024 were \$[●] million as compared to \$220.5 million as of June 30, 2023. Of these amounts, \$[●] million ([●]% of total receivables) and \$110.7 million (50.2% of total receivables) were considered past due (120 days or more past the payment due date) as of June 30, 2024 and June 30, 2023, respectively. As of September 30, 2024, the Water System's allowance for doubtful accounts was \$[●] million and accounts receivables (including the Culver City utility user's tax, which is subsequently transferred to Culver City) were \$[●] million. As of September 30, 2023, the Water System's allowance

for doubtful accounts was \$59.5 million and accounts receivables (including the Culver City utility user's tax, which is subsequently transferred to Culver City) were \$247.7 million.

COVID-19 Effects. In response to the COVID 19 pandemic, the Department deferred disconnection of water and power services to customers who were unable to pay their bills due to financial hardship, which deferrals officially ended on March 31, 2022 (the Department began the resumption of disconnections for commercial customers in June 2023 and is currently working on a plan to resume service disconnections for residential customers in the near future). As a result of the deferral of disconnections, the Department has experienced an increase in the amount of bills that are 120 days or more past their payment due date as described above under "Delinquencies." Ultimately, customers are still responsible to pay the billed amounts and the Department will work with customers by providing payment options. See "CERTAIN INVESTMENT CONSIDERATIONS- Global Health Emergencies; COVID-19 Pandemic."

The California Legislature established in the 2021-22 State Budget the California Water and Wastewater Arrearage Payment Program ("CWWAPP") to provide financial relief to operators of California water and wastewater systems for unpaid water and wastewater bills accrued during the COVID-19 pandemic. Administered by the State Water Resources Control Board, CWWAPP dedicated approximately \$985 million in federal American Rescue Plan Act of 2021 funding to address unpaid water and wastewater bills accrued during the COVID-19 pandemic. The program funded debts related to drinking water first and beginning in February 2022, began funding debts related to wastewater systems. CWWAPP is only for water systems (and wastewater systems beginning in February 2022); customers cannot apply. Participating water systems credit their customer's accounts and notify the customers that their water bill debt has been forgiven or reduced. The program covered water bills from March 4, 2020 through June 15, 2021. If a water system applied for relief under CWWAPP, it was not allowed to disconnect a customer's water service prior to December 31, 2021 because of non-payment of their bill, and without offering customers a payment plan to pay their past-due bills. The State Water Resources Control Board began disbursing moneys on November 1, 2021. The Department received \$86.3 million from CWWAPP, and in January 2022, the Department applied \$73.5 million as credits to certain of its customer's bills. The remaining \$12.3 million was returned to CWWAPP (net of an allowable \$500,000 that was retained by the Department for reimbursement of administrative costs associated with the program).

[On July 10, 2023, a new Extended Water and Wastewater Arrearage Payment Program was approved, extending the relief period to December 31, 2022. In January 2024, the Department received \$76 million, and in April 2024, the Department applied \$65.5 million as credits to certain of its customer's bills.]

Write-Off Procedures. Uncollectible accounts are recoverable by the Department by passing on such "bad debts" to the ratepayers via pass-through adjustment factors. Due to hot weather in the summer and associated higher bills and the Department's bimonthly billing process, accounts receivable balances generally increase in the late summer and autumn and generally decrease in the winter and spring. These accounts receivable balances include inactive accounts. Inactive accounts that are included in accounts receivable that cannot be linked to an active account will be written off as uncollectible.

Customer Bill of Rights. In January 2017, the Board adopted a "Customer Bill of Rights," which was developed by the Department in consultation with Mayor Eric Garcetti and is designed to improve service for Department customers. On February 26, 2019, the Board extended the "Customer Bill of Rights" indefinitely.

THE WATER SYSTEM

Inception of Water System

The City is located in a semi-arid region with little native water. Water and the infrastructure that delivers it have always been important to the growth of the City. At and prior to its founding, the City relied on the Los Angeles River for its water supply. Los Angeles River water was channeled through a distribution system of crude dams, water wheels and ditches. In 1860, the City's water company completed its first domestic water system. On February 3, 1902, the City formally took ownership of the first City municipal water works system.

The population of the City increased from 5,728 in 1870 to 102,479 by 1900 and the City faced a serious water shortage. The new City water system, under the leadership of William Mulholland, its first superintendent and chief engineer, began enlarging the distribution system fed by the Los Angeles River. Greater storage capacity was provided to conserve a larger portion of the river's flow. Construction of new reservoirs and distribution mains provided added capacity and efficiency for the system. Conservation efforts were initiated with the installation of meters to discourage wasteful use of water.

Origins of the Los Angeles Aqueduct System; Recent Events Affecting the Los Angeles Aqueduct System

Origins of the Los Angeles Aqueduct System. To meet increasing demand, City water engineers explored the watersheds surrounding the City but did not find an adequate water source. Their search eventually led them over 200 miles north to the eastern slopes of the Sierra Nevada Mountains. Lying between the High Sierra and the White Mountains is the Owens Valley and the Owens River and its Long Valley and Pleasant Valley tributaries. Surveys determined that snowmelt from the mountain ranges bordering the valley were sufficient to provide additional water for the City's needs. In 1905, voters of the City approved a bond issue of \$1.5 million to purchase Owens Valley lands and water rights. Two years later, voters of the City approved another bond issue of \$23 million for construction of the Los Angeles Owens River Aqueduct (the "First Los Angeles Aqueduct"). In 1907, construction began on the First Los Angeles Aqueduct and on November 5, 1913 the first water from the aqueduct arrived in the City. The First Los Angeles Aqueduct is a 233-mile gravity-flow aqueduct from the Owens River, near the town of Independence, California to Los Angeles. The First Los Angeles Aqueduct has a capacity of 280,000 acre-feet per year of water (approximately 250 million gallons per day).

In 1940, the Department received permits to divert water from four streams that are tributary to Mono Lake, located in the Mono Basin. The Mono Basin is located north of the Owens Valley on the eastern slope of the Sierra Nevada Mountains. In 1940, the City extended the First Los Angeles Aqueduct north to access water from the Mono Basin.

In June 1970, the Department placed in service the Second Los Angeles Owens River Aqueduct (the "Second Los Angeles Aqueduct" and together with the First Los Angeles Aqueduct, the "Los Angeles Aqueduct"), a 137-mile aqueduct from Haiwee Reservoir, just south of Owens Lake to the City. The Second Los Angeles Aqueduct has a capacity of 210,000 acre-feet per year of water (approximately 187 million gallons per day). The Second Los Angeles Aqueduct added transport capacity to the Los Angeles Aqueduct system in order to utilize the Department's surface water rights in the Mono Basin, and increase surface water exports and groundwater pumping from the Owens Valley. The Second Los Angeles Aqueduct supplements the capacity of the First Los Angeles Aqueduct. The Second Los Angeles Aqueduct cannot be operated independently of the First Los Angeles Aqueduct. See "WATER SYSTEM INFRASTRUCTURE PROGRAM."

Recent Events Affecting the Los Angeles Aqueduct System. During August 2023, Tropical Storm Hilary caused intense flooding and damage to both Los Angeles Aqueduct related infrastructure and to dust mitigation infrastructure at Owens Lake. The Los Angeles Aqueduct itself suffered a brief outage due to a sediment blockage caused by the flooding from Hilary, but the sediment blockage was removed and aqueduct service was restored within a week. During the outage, the Department accessed the water it owns held in the South Haiwee Reservoir and the Bouquet Reservoir, both located south of the blockage, in order to maintain waterflow to the City. The related infrastructure that was damaged along the Los Angeles Aqueduct consists of measuring devices and diversion structures, which do not impact operation of the Los Angeles Aqueduct itself. Infrastructure damaged at Owens Lake also does not impact Los Angeles Aqueduct operations, but does impact the ability of the Department to be fully compliant with air regulations. The Department requested, and was granted, a two-year variance with respect to the air regulations from the Great Basin Unified Air Pollution Control District to allow the Department to make repairs to the damaged infrastructure at Owens Lake, which is expected to continue into 2025. See “FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY—Owens Valley and Mono Basis Environmental Commitments.”

Although the portions of the Los Angeles Aqueduct have been improved in recent years, there is a significant amount of refurbishment that must be performed in future years. In addition to multiple condition assessments and geotechnical studies of the Los Angeles Aqueduct and related infrastructure, aerial topographic surveys were performed. The Department also is evaluating increasing the annual number of improvement projects to the Los Angeles Aqueduct.

Origins of Metropolitan

As the population of Southern California continued to grow in the 1920’s, additional water sources were sought from the Colorado River, 300 miles east of the City. In 1928, the City joined with other Southern California cities to form Metropolitan. Metropolitan is a major supplier of wholesale water to its member agencies, including the City. Metropolitan delivers water to its members via the Colorado River Aqueduct (defined below) and the California Aqueduct (defined below), which is a part of the State Water Project (defined below). In 1931, voters approved a \$220 million bond issue to finance construction of an aqueduct owned and operated by Metropolitan (the “Colorado River Aqueduct”) to transport water from the Colorado River to Southern California. The Colorado River Aqueduct began delivering Colorado River water to Southern California in 1941.

In 1960, the voters of the State approved a \$1.75 billion bond issue to provide the initial funding for the California State Water Project (the “State Water Project”). The State Water Project is a 550-mile water delivery system owned by the State and operated by the Department of Water Resources. The State Water Project includes the approximately 444-mile Edmund G. Brown California Aqueduct (the “California Aqueduct”), which began water deliveries from Northern California to Southern California in the early 1970s.

Distribution System

The Department’s distribution system has met increased demands on the Water System for domestic, commercial and fire supply water. Water is distributed to customer service connections through approximately 7,340 miles of water mains and trunk lines, ranging from 2 inches to 120 inches in diameter. In addition, the Department serves approximately 61,100 fire hydrants, 739,000 active-service/customer connections and meters, and a wide variety of appurtenant devices. Because of the range in elevation (sea level to 2,400 feet), the City’s approximate 473 square-mile area has been divided into 111 pressure zones. Most of the Department’s 86 booster pumping stations included in the Water System are designed to

provide water service at elevations higher than the gravity system can supply. See “WATER SYSTEM INFRASTRUCTURE PROGRAM.”

Storage

Water storage is essential for the conservation of water during low demand, cold or wet periods and to supply the extra water needed during warm weather or emergency situations.

The Water System’s 125 storage tanks and reservoirs range in size from 10 thousand gallons to 60 billion gallons and have a current capacity of approximately 323,000 acre-feet of water. Eight aqueduct reservoirs provide approximately 96% of the Water System’s storage capacity. The following table shows the Water System’s current storage capacity (not including groundwater stored in the San Fernando Basin).

CURRENT STORAGE CAPACITY

	High Water Elevation ¹	Spillway Elevation ¹	Acre-Feet	Millions of Gallons
<i>Aqueduct Reservoirs:</i>				
Crowley Lake	6,782	6,782	183,249	59,712
Grant Lake	7,130	7,130	47,171	15,502
Bouquet	2,991 ³	2,993	32,522 ³	10,597
Tinemaha	3,866 ²	3,873	6,306 ²	2,054
North Haiwee	3,758 ²	3,761	10,040 ²	3,272
South Haiwee	3,742	3,742	27,774	9,050
Fairmont No. 2	3,033	3,033	491	160
Pleasant Valley	4,390 ²	4,398	2,989 ²	974
Total			<u>310,542</u>	<u>86,960</u>
<i>Local Reservoirs:</i>				
Los Angeles		1,175	10,170	3,314
Upper Stone Canyon		930	422	138
Santa Ynez		720	359	117
Eagle Rock		957	254	83
Van Norman Bypass		1,158	240	78
Lower Franklin		580	206	67
Elysian		462	168	55
Headworks Reservoir East		511	196	55
107 smaller reservoirs and tanks			805	262
Total			<u>12,820</u>	<u>4,169</u>
<i>Grand Total</i> ⁴			<u>323,362</u> ⁴	<u>91,129</u> ⁴

Source: Department of Water and Power of the City of Los Angeles.

¹ Feet above sea level.

² Due to seismic constraints, high water elevation is lower than spillway elevation.

³ Due to operational restrictions, high water elevation is lower than spillway elevation.

⁴ As of June 30, 2024, approximately [•] acre-feet (approximately [•] billion gallons) of water was stored in the aqueduct and local reservoirs. As of June 30, 2023, approximately 237,638 acre-feet (approximately 77.4 billion gallons) of water was stored in the aqueduct and local reservoirs

The Department also stores groundwater in the San Fernando Basin, as described under “WATER SUPPLY—Local Groundwater—Stored Groundwater.”

In addition to its current storage facilities, the Department has the ability to use five other in-City reservoirs for storage in the event of an emergency (e.g. earthquake). The five reservoirs are currently not in use, but have the capacity to store approximately 26,825 acre-feet of water (approximately 8.7 billion gallons).

Water Treatment Facilities

Filtration. The Department owns and operates several types of water treatment facilities that treat water to meet drinking water regulations and to ensure the safety of the water provided to the public. The Los Angeles Aqueduct Filtration Plant (the “Filtration Plant”), a water filtration plant utilizing ozone as the primary disinfectant located in Sylmar, filters the Los Angeles Aqueduct water supply to meet State regulations relating to fine silt particles that cause cloudiness in water (also known as turbidity). Turbidity has been shown to protect micro-organisms from the effects of disinfection.

The Department also owns two microfiltration plants located at the Lower Stone Canyon reservoir (the “Lower Stone Canyon MF Plant”) and the Encino reservoir (the “Encino MF Plant”). Neither of these microfiltration plants are currently being operated.

Disinfection. All City water supplies have been disinfected with chlorine since the early 1930s. The Department currently maintains 31 water treatment facilities, including 22 chlorination and nine ammoniation treatment facilities to treat both surface and groundwater supplies. To comply with the United States Environmental Protection Agency (the “EPA”) rules, the Department converted its secondary disinfection from chlorine to chloramine disinfection in the spring of 2014. A requirement of the chloramine conversion was to construct an ultraviolet treatment plant downstream of the Filtration Plant. The ultraviolet treatment plant (the Dr. Pankaj Parekh Ultraviolet Disinfection Facility) was placed in service in the spring of 2014. In January 2022, a second ultraviolet treatment plant (the Los Angeles Reservoir Ultraviolet Disinfection Plant) was placed in service. This second ultraviolet facility supplements the Dr. Pankaj Parekh Ultraviolet Disinfection Facility which treats water with ultraviolet light that has already undergone several treatments, including fluoridation, ozonation and filtration, before it enters the Los Angeles Reservoir. The new Los Angeles Reservoir Ultraviolet Disinfection Plant treats the water with ultraviolet light once again, at the outlet of the Los Angeles Reservoir, before it enters the Department’s water distribution pipes. With the opening of the Los Angeles Reservoir Ultraviolet Disinfection Plant, all of the Water System’s reservoirs have achieved compliance with the applicable regulations required to protect drinking water stored in reservoirs.

Groundwater Treatment. Unremediated contamination from historical urban and industrial activities adversely affect local well fields in the San Fernando Basin, the Central Basin, the Sylmar Basin and the West Coast Basin. In the early 1980s, trichloroethylene (“TCE”) and perchloroethylene, also known as tetrachlorethene (“PCE”), contamination were found in some wells in the San Fernando Basin. Two groundwater treatment facilities, the North Hollywood Operable Unit and the Pollock Wells Treatment Plant, were built and operated by the Department to remove volatile organic compounds such as TCE and PCE from the water. In late-2009, the Department completed construction of a Pilot Treatment Plant utilizing liquid-phase granular activated carbon at the Tujunga Well Field to remove volatile organics from two wells. See “WATER SUPPLY—Local Groundwater.” The Department is undertaking a series of response actions in the San Fernando Basin to remediate, contain, cleanup and remove groundwater contamination to help restore the beneficial use of the aquifer and protect public health and the environment. [The North Hollywood West Treatment Facility is under construction and is expected to be operational during the summer of 2024.] [The North Hollywood Central and Tujunga Well Field Response Action Treatment Facilities are currently being constructed and are expected to be operational by the fall of 2024.] In conjunction with these efforts, the EPA is requiring a number of the potentially responsible parties for the contamination to finance, design and construct a second interim remedy to replace the North Hollywood

Operable Unit-First Interim Remedy, which was demolished in 2020. The new facility will treat water from various extraction wells in North Hollywood. [The initial phase of the facility is expected to be operational by fall of 2024, and the final phase is expected to be operational in 2025.] However, construction of the final phase is pending EPA issuance of a consent decree. Additionally, the program to treat water from the eastern area of the North Hollywood East wellfield is expected to be operational by mid-2026. See “FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY—Groundwater System Challenges and Remediation Efforts” for additional information on groundwater cleanup and remediation.

Fluoridation. The Department operates seven fluoridation facilities to treat the City’s water supplies to meet State regulation requiring water fluoridation of public water supplies issued by the California Department of Public Health. In 2007, Metropolitan began water fluoridation at its five water treatment plants that serve all of Southern California, including water supplied to the Department.

WATER SUPPLY

Sources of Water Supply

The Department receives its water supply from four sources:

- The Los Angeles Aqueduct (Owens Valley and Mono Basin);
- Purchases from Metropolitan of water delivered through the Colorado River Aqueduct and the California Aqueduct (the State Water Project);
- Pumping groundwater in the San Fernando Basin, the Sylmar Basin, the Eagle Rock Basin, the West Coast Basin and the Central Basin; and
- Recycled water.

The amount of water delivered to the City from each of these sources in Fiscal Years 2019-20 through 2023-24 is set forth in the following table. See also “—Water Conservation Actions Taken in Response to Droughts; Water Rate Adjustments During Droughts” and “—Meeting Future Customer Needs” below.

WATER SUPPLY AND DEMAND (In Acre-Feet)

Fiscal year Ended June 30

Supply Source	2020	2021	2022	2023	2024 ³
Metropolitan	152,647	316,627	366,690	219,406	
Los Angeles Aqueduct	292,095	128,268	69,183	184,320	
Local Groundwater	34,363	51,070	53,057	28,170	
Recycled water ¹	9,641	11,455	12,022	9,428	
Total Supply ²	488,746	507,420	500,952	441,324	
Total Demand ²	487,591	508,359	500,743	441,855	

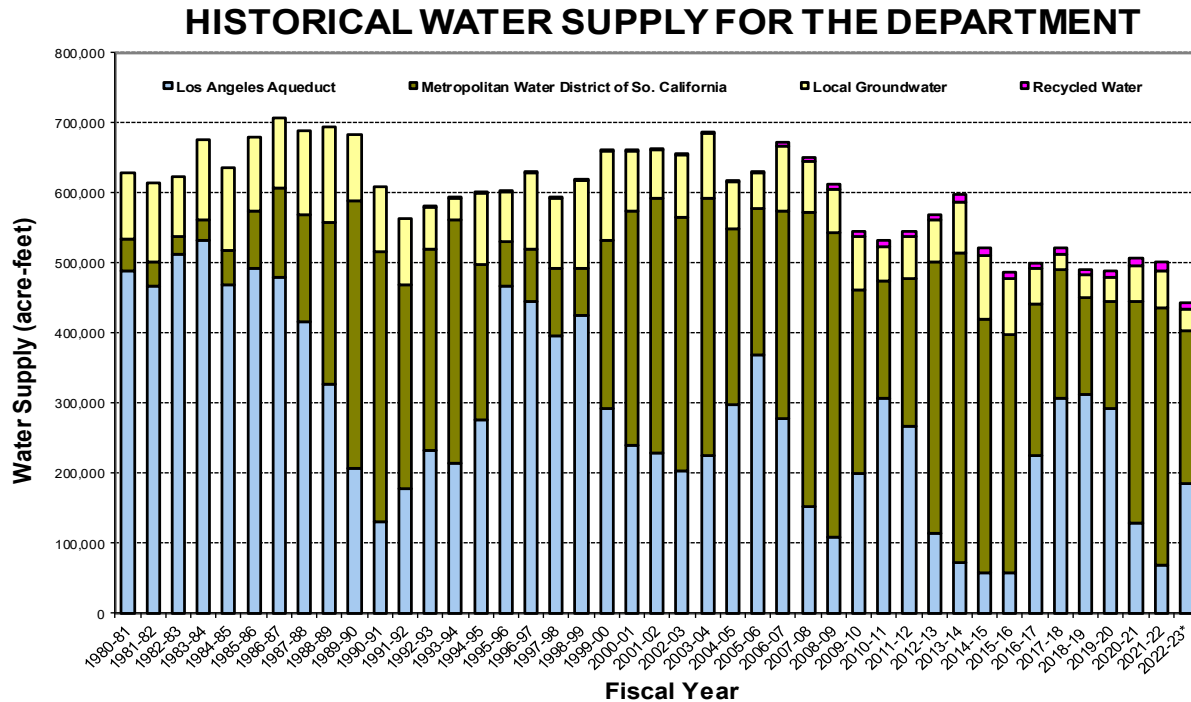
Source: Department of Water and Power of the City of Los Angeles.

¹ The Department includes recycled water in its calculation of total supply and total demand.

² When Water System supply exceeds demand, water is placed into storage and when Water System supply does not meet Water System demand, water is withdrawn from storage. The difference between total supply and total demand is primarily water stored/withdrawn from Water System storage.

³ Data for Fiscal Year 2023-24 is preliminary and subject to change pending validation.

The following graph illustrates the historical water supply for the Department since Fiscal Year 1981-82. [updated chart to come]



Source: Los Angeles Department of Water and Power.

* Data for Fiscal Year 2023-24 is preliminary and subject to change pending validation.

The majority of the Department's water supply (approximately 87%) originates from surface runoff (snowmelt). This supply is subject to annual variability, which influences the amount of water delivered by the Los Angeles Aqueduct and, consequently, the amount of water purchased by the Department from Metropolitan. In years where the snowpack is abundant, water delivered from the Los Angeles Aqueduct (from the Owens Valley and the Mono Basin) tends to increase. Consequently, in those years, the Department typically purchases less water from Metropolitan. Department groundwater supplies are produced in accordance with regulated entitlements designed to protect aquifers from adverse impacts. The practice of "safe yield" pumping has been practiced by the Department for decades to avoid groundwater overdraft and to protect basin water quality. Recycled water is an established resource that is being developed by the Department to meet a substantial portion of future increases of water usage within the City.

As described above, between Fiscal Years 2019-20 and 2023-24, deliveries of water from the Los Angeles Aqueduct and the amount of water purchased from Metropolitan varied from one year to the next. When the Department's reliance on water purchased from Metropolitan increases, its expenses with respect to purchased water increases substantially. However, the full cost of water purchased from Metropolitan is passed on to the customers of the Department.

Between early Fiscal Year 2012 and late Fiscal Year 2016, the State suffered one of the worst droughts in recorded State history (the "2012-16 Drought"). In response to the 2012-16 Drought, the then-Governor, the State Water Resources Control Board and cities and water agencies throughout the State (including the City and the Department) mandated or adopted various emergency water conservation measures; many of which have been made permanent. Additionally, between early 2020 and late 2022, the State again suffered a severe drought (the "2020-22 Drought"). The three years of the 2020-22 Drought were the three driest years ever recorded in California. In response to the 2020-22 Drought, the Governor, the State Water Resources Control Board and cities and water agencies throughout the State (including the City and the Department) again mandated or adopted various emergency water conservation measures. Historic winter storms between December 2022 through March 2023 that brought record levels of snow and precipitation to the State helped alleviate water conditions throughout the State, and many of the emergency water conservation measures have since been rescinded. The 2023-24 winter also saw average to above average levels of snow and precipitation throughout the State. See "—Water Conservation Actions Taken in Response to Droughts; Water Rate Adjustments During Droughts" below for a description of the effects droughts have on the Department's water supplies and revenues and measures mandated and adopted by the Governor, the State Water Resources Control Board, Metropolitan and cities and water agencies throughout the State (including the City and the Department) to address droughts. See also, "CERTAIN INVESTMENT CONSIDERATIONS—Risks Relating to the Water Supply and Sufficiency of Water Supply."

Los Angeles Aqueduct - Owens Valley and Mono Basin

Los Angeles Aqueduct Water Supply. From 1970 to 1988, the Department received approximately 76% of the City's total water supply from the Los Angeles Aqueduct. A significant portion of this supply was curtailed in 1989 when a court injunction severely limited the Department's water exports from the Mono Basin due to concerns over the basin's ecosystem, scenic views, air quality, and other public trust values. Additionally, in 1991, the Department reduced water exports from Owens Valley to comply with the Owens Valley Groundwater Agreement (as further described under "FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY—Owens Valley and Mono Basin Environmental Commitments—Owens Valley—Owens Valley Groundwater Management"). More recently, additional demands for Los Angeles Aqueduct water have been made by the Owens Lake Dust Mitigation Program (as further described under "FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY—Owens Valley and Mono Basin Environmental Commitments—

Owens Valley—Owens Lake Dust Control”) and the Lower Owens River Project (as further described under “FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY—Owens Valley and Mono Basin Environmental Commitments—Owens Valley—Other Environmental Efforts in the Owens Valley”). Average water deliveries from the Los Angeles Aqueduct were approximately [•] acre-feet per Fiscal Year between Fiscal Years 2019-20 and 2023-24 (approximately [•]% of the Department’s annual water supply). However, during Fiscal Year 2020-21 (the 2020-2022 Drought began in late 2020) water deliveries from the Los Angeles Aqueduct were only approximately 128,268 acre-feet (approximately 25.3% of the Department’s water supply for Fiscal Year 2020-21), and during Fiscal Year 2021-22 water deliveries from the Los Angeles Aqueduct were only approximately 69,183 acre-feet (approximately 13.8% of the Department’s water supply for Fiscal Year 2021-22).

Water Rights. The Department possesses rights to surface water primarily from eastern Sierra Nevada watersheds including 174 pre-1914 and 17 post-1914 water rights along various streams, creeks and rivers in the Mono Basin, Long Valley and Owens Valley. Pre-1914 water rights are not under the jurisdiction of the State Water Resources Control Board and offer the rights holder certain advantages such as being able to change the place of use, purpose of use, or point of diversion without seeking approval of the State Water Resources Control Board. The City has the right to export surface water from the eastern Sierra Nevada watersheds and to divert 50,000 miner’s inches (1,250 cubic feet per second (“cfs”)) from the Owens River at a location approximately 15 miles north of the town of Independence, California to the Los Angeles Aqueduct for transport to the City. Supplemental statements pertaining to diversion and use of water are filed with the State Water Resources Control Board every three years. The State Water Resources Control Board was established by the State Legislature to administer the State’s water quality and water rights programs and together with nine Regional Water Quality Control Boards throughout the State, enforces pollution control standards to protect the State’s rivers, lakes, groundwater basins and shoreline.

The Department developed groundwater resources in the Owens Valley based primarily on the ownership of approximately 330,000 acres of land and associated water rights. Groundwater supply in the Owens Valley is managed according to procedures stipulated to in a 1991 agreement between Inyo County and the Department.

The Department is subject to several environmental mitigation commitments in the Owens Valley and Mono Basin that have a material impact on the finances and operations of the Water System. For information about these commitments, see “FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY—Owens Valley and Mono Basin Environmental Commitments.”

The Metropolitan Water District of Southern California

General. The Department purchases water from Metropolitan to supplement its water supplies to meet demands not otherwise met from the Los Angeles Aqueduct, local groundwater and recycled water. During Fiscal Years 2019-20 through 2023-24, water deliveries from Metropolitan varied between a low of approximately [•] acre-feet in Fiscal Year 2019-20 and a high of approximately [•] acre-feet in Fiscal Year 2022-23. For the five Fiscal Years ended June 30, 2024, water deliveries from Metropolitan averaged approximately [•] acre-feet per year, which constituted approximately [•]% of the Department’s total water supply.

Water from the State Water Project is one of Metropolitan’s two main sources of water. See “—Water Conservation Actions Taken in Response to Droughts; Water Rate Adjustments During Droughts” below for discussions of the reduced water deliveries from the State Water Project and other actions taken by Metropolitan to address past droughts. The other main source of water for Metropolitan is Colorado River water delivered via the Colorado River Aqueduct. The Colorado River Basin also is experiencing an

extended drought and deliveries of water from the Colorado River during 2024 will be voluntarily reduced for certain users of Colorado River water. [However, because of its priority rights, Metropolitan expects to receive a sufficient supply of water from the Colorado River in 2024.] Continued drought and overallocations in the Colorado River Basin could result in reduced future deliveries of Colorado River water to Metropolitan.

As a member of Metropolitan, the Department historically purchased water from Metropolitan pursuant to water supply purchase orders entered into with Metropolitan for specific periods. In January 2015, the Department and Metropolitan executed a new Purchase Order for Imported Water Supply Agreement (the “Purchase Order Agreement”), which required the Department to purchase at least 2,033,130 acre-feet of water over a 10-year period commencing on January 1, 2015 and expiring on December 31, 2024. The Department has fulfilled its Purchase Order commitment for the term and does not expect to exceed its Tier 1 maximum under the Purchase Order Agreement. Metropolitan has adopted a new rate structure effective January 1, 2025 that only includes a single tier supply rate, thus eliminating the need for renewal of the expiring Purchase Order Agreement.

The rates which the Department pays for water purchased from Metropolitan are based on, among other things, Metropolitan’s costs of acquiring, treating and transporting water for all of its member agencies, as determined by Metropolitan’s board of directors biennially.

Metropolitan. Metropolitan is a metropolitan water district created in 1928 by vote of the electorate of the City and several other Southern California cities. The City is a member of Metropolitan’s board of directors. Metropolitan is a major supplier of wholesale water to its 26-member public agencies, including the City. Metropolitan indicates that it imports water from two principal sources: northern California (mainly from the San Francisco Bay/Sacramento-San Joaquin River Delta (“Bay-Delta”)), via the California Aqueduct, and the Colorado River via the Colorado River Aqueduct. See “CERTAIN INVESTMENT CONSIDERATIONS—Risks Relating to the Water Supply and Sufficiency of Water Supply—Reliance on Water Purchased from Metropolitan.”

From time to time, Metropolitan provides information about itself and its operations to the public. Certain information about Metropolitan can be found on the MSRB’s website through the EMMA System, including Metropolitan’s [Official Statement, dated May 24, 2024, relating to its Water Revenue Refunding Bonds, 2024 Series B] (the “Metropolitan Official Statement”). Metropolitan has indicated that it has entered into certain continuing disclosure undertakings pursuant to which it is required to file certain annual financial and operating information and notices of certain enumerated events with the MSRB through the EMMA System. Information provided by Metropolitan about itself and its operations, including the Metropolitan Official Statement and any annual financial and operating information and notices of certain enumerated events regarding Metropolitan, and any other information on the MSRB’s website is not incorporated by reference into this Official Statement. The Department makes no representation as to the accuracy or completeness of any such information. METROPOLITAN HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DEPARTMENT OR THE OWNERS OF THE SERIES A BONDS TO PROVIDE INFORMATION WITH RESPECT TO METROPOLITAN TO THE DEPARTMENT OR THE OWNERS OF THE SERIES A BONDS.

Local Groundwater

Groundwater Rights. For the five Fiscal Years ended June 30, 2024, on average, local groundwater supplied approximately [●] acre-feet per year, which constituted approximately [●]% of the Department’s total water supply per year. Typically, reduced water deliveries from the Los Angeles Aqueduct caused by drought conditions result in the Department increasing local groundwater production. However, between 2017 and 2019, in response to the abundance of snowpack received during the winter of 2017 and the

increased availability of water from the Los Angeles Aqueduct, the Department decreased pumping water from its groundwater basins. Additionally, due to the significant increase of water supplied by the Los Angeles Aqueduct during this period, the Department used this excess water to partially refill its groundwater basins.

The following table sets forth the Department's adjudicated rights to water supply from the San Fernando Basin, the Central Basin, the Sylmar Basin, the West Coast Basin and the Eagle Rock Basin.

**LOCAL GROUNDWATER
ADJUDICATED RIGHTS TO WATER SUPPLY**

Groundwater Basin	Acre-feet per year
San Fernando ¹	87,000
Central	17,236
Sylmar	3,570
West Coast	1,503
Eagle Rock	500

Source: Department of Water and Power of the City of Los Angeles.

¹ The City's water rights for the San Fernando Basin vary annually because these water rights are based on the following components: (i) Native Water (consisting of a fixed amount of 43,660 acre-feet of water) and (ii) Import Return Water (consisting of 20.8% of all water delivered by the Department to customers in the Basin area, including recycled water, which historically averages approximately 43,000 acre-feet of water but slightly declined in recent years).

Stored Groundwater. [To supplement its annual water rights, as of October 1, 2021 (the latest available information), the Department had accumulated approximately 701,736 acre-feet of stored water credits in the San Fernando Basin and approximately 9,014 acre-feet in the Sylmar Basin.] As of [●], 2024, the Department had accumulated approximately [●] acre-feet of stored water in the Central Basin.

Groundwater Facilities. The Department owns and operates numerous groundwater extraction, treatment, remediation, distribution and recharge facilities to manage its groundwater supply. The Department also benefits from groundwater recharge facilities owned and operated by the Los Angeles County Department of Public Works. These facilities allow for the capture and diversion of stormwater runoff and subsequent recharge of the local groundwater basins. The major groundwater facilities and their maximum capacities are listed in the following table.

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MAJOR GROUNDWATER FACILITIES AND THEIR MAXIMUM CAPACITIES¹

	<u>Maximum Capacity</u>
San Fernando Basin:	
<i>Wells:</i>	
Rinaldi-Toluca Well Field	77,400 acre-feet per year
Tujunga Well Field	74,700 acre-feet per year
North Hollywood Well Field	33,300 acre-feet per year
River Supply Conduit Wells (Erwin, Whitnall, Verdugo Wells)	9,800 acre-feet per year
Aeration Wells	1,700 acre-feet per year
Pollock Well Field	4,600 acre-feet per year
<i>Recharge Facilities:</i>	
Branford Spreading Basin ²	1,400 acre-feet per year ³
Hansen Spreading Basin ²	35,200 acre-feet per year ³
Lopez Spreading Basin ²	5,500 acre-feet per year ³
Tujunga Spreading Grounds	42,800 acre-feet per year ³
Pacoima Spreading Basin ²	24,200 acre-feet per year ³
<i>Distribution Facilities:</i> ⁴	
Tujunga Pumping Station Complex	100.0 cfs ⁵
North Hollywood Pumping Station Complex	300.0 cfs ⁵
<i>Treatment/Remediation Facilities:</i>	
North Hollywood Central Response Action Treatment Facility	38.2 cfs
North Hollywood Operable Unit ⁶	11.7 cfs
North Hollywood West Treatment Facility	28.4 cfs
Pollock Wells Treatment Plant	6.3 cfs
Tujunga Well Field Response Action Treatment Facility	76.5 cfs
Central Basin:	
99th Street Well Field	7,000 acre-feet per year
Manhattan Well Field	5,000 acre-feet per year
Sylmar Basin:	
Mission Well Field	4,800 acre-feet per year

Source: Department of Water and Power of the City of Los Angeles.

¹ The well fields capacities are estimated based on the well capacities measured in January 2019, assuming a continuous operation throughout the year. The yearly capacity numbers are rounded. The capacities may change depending upon individual well performance. The actual operating capacities of the wells are less and fluctuate based primarily on the groundwater basin conditions and the quantity of groundwater that can be pumped from a groundwater basin without resulting in long term adverse impacts to the basin.

² Owned and operated by the County of Los Angeles.

³ Historical high recharge volume, per water year (October 1- September 30). Source: Los Angeles County Department of Public Works, Stormwater Engineering Division.

⁴ Nominal facility pumping capacities, distribution capacities are dependent on operational conditions.

⁵ Based on a maximum distribution capacity of 145 cfs to Zone 1 (River Supply Conduit), 120 cfs to Zone 2 (Toyon Tanks), and 35 cfs to Zone 3 (830 System). Groundwater distribution is limited by capacity to disinfect maximum flowrate of approximately 150 cfs.

⁶ The initial phase of the North Hollywood Operable Unit is currently treating 2.1 cfs of groundwater which is being discharged into the sewer and storm drain. When operational, the final phase of the North Hollywood Operable Unit will treat 11.7 cfs of groundwater. See "FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY—Groundwater System Challenges and Remediation Efforts—North Hollywood Operable Unit."

The management of groundwater supply subjects the Department to certain regulations and remediation efforts. For more information about such efforts, see “FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY—Groundwater System Challenges and Remediation Efforts.”

Recycled Water

By 1960, the City recognized the potential for water reuse and invested in infrastructure that processed water to tertiary quality, a high treatment standard for wastewater which meets federal and State standards for non-potable water uses. The use of this process resulted in the construction of wastewater treatment plants that produce tertiary quality water. These system enhancements paved the way for the City to expand recycled water projects to supplement local and imported water supplies.

The Department’s water recycling program is dependent on the City’s wastewater treatment infrastructure. Wastewater in the City is collected and transported through approximately 6,700 miles of major interceptors and mainline sewers, more than 11,000 miles of house-sewer connections, 44 pumping plants, and four treatment plants. The Bureau of Sanitation of the City’s Department of Public Works (“LASAN”) operates the wastewater program in cooperation with the Department’s operation of the recycled water projects. The Department uses a portion of the treated effluent from the wastewater plants to meet recycled water demands.

As described in the Department’s 2020 Urban Water Management Plan (the “2020 UWMP”) (see “—Meeting Future Customer Needs” below for additional information on the 2020 UWMP), the Department’s recycled water program is a critical element of the City’s water supply portfolio and is an important strategic investment. The 2020 UWMP forecasts that by 2045, recycled water deliveries will total approximately 67,600 acre-feet per year, including an average of 11,000 acre-feet per year of groundwater replenishment with recycled water.

The Department continues to make progress in increasing water recycling in the City. For Fiscal Year 2023-24, [●] acre-feet (approximately [●] billion gallons) of recycled water was delivered for irrigation, industrial and seawater barrier use. In addition to direct customer use of recycled water, during Fiscal Year 2023-24, [●] acre-feet (approximately [●] billion gallons) of recycled water was provided for recreational and environmental uses, including Lake Balboa, the Japanese Gardens at the Donald C. Tillman Water Recycling Plant, and the Wildlife Lake.

In the San Fernando Basin, the Department expects to expand irrigation and industrial use of recycled water, along with implementing groundwater replenishment with recycled water for recharging the San Fernando Basin. The groundwater replenishment project in the San Fernando Basin is expected to produce up to 21,000 acre-feet of recycled water and is expected to become operational by the end of 2027.

The Department is undertaking a new initiative to maximize recycling of the wastewater from the local Hyperion Water Reclamation Plant (“HWRP”), operated by LASAN. This new water source has the potential to significantly increase local water supply by utilizing advanced treated recycled water from HWRP. The Department has begun pre-planning studies and other preliminary work in connection with the effort. The total preliminary capital cost for this program, known as “Operation NEXT,” is currently estimated to cost approximately \$17 billion (in 2023 dollars), depending on final program strategy to be studied through the ongoing Operation NEXT Master Plan. This cost will be updated when more detailed program elements are available. Approximately \$333.9 million of the costs of Operation NEXT are expected to be included in the Water System’s capital program for Fiscal Years 2024-25 through 2028-29. See “WATER SYSTEM INFRASTRUCTURE PROGRAM—Projected Capital Improvements.” The Department plans to pursue the most cost-effective sources of financing for construction of Operation

NEXT, including State/Federal grants/loans, additional Parity Obligations, securitized funds, and Metropolitan's local resource subsidy, as well as contributions from potential partnering agencies.

Water Conservation Actions Taken in Response to Droughts; Water Rate Adjustments During Droughts

Water Conservation Actions Taken in Response to 2012-16 Drought. Between Fiscal Year 2012 and late Fiscal Year 2016, the State suffered one of the worst droughts in recorded history, which included the driest four-year statewide precipitation on record and lowest Sierra-Cascade snowpack on record (2015, with 5% of average). During this period, California recorded some of its warmest years on record (temperature observations were first recorded in 1850).

In response to the 2012-16 Drought, then-Governor Brown, the State Water Resources Control Board and cities and water agencies throughout the State (including the City and the Department) mandated or adopted various emergency water conservation measures, including, among others, a mandatory 25% statewide reduction of water use throughout the State by April 2017 (the end of the 2012-16 Drought). Similar measures also were instituted by the State and cities and water agencies throughout the State (including the City and the Department) in connection with the 2020-22 Drought, and such measure could be instituted in response to future droughts.

Additionally, in response to the 2012-16 Drought, then-Los Angeles Mayor Eric Garcetti issued an Executive Directive that ordered all City departments to reduce potable water use and take immediate action to achieve various sustainable water resilience goals, including, among others, a 20% reduction in per capita water use by 2017 resulting in a per capita use of 106 gallons of water per day (which the City met as of January 1, 2017). These goals were later expanded to include water use reduction targets for all of Los Angeles and were incorporated into the 2020 UWMP.

In response to the 2012-16 Drought, the Board also approved certain amendments to the City's Emergency Water Conservation Plan Ordinance, that were subsequently approved by City Council and the Mayor, which amendments, among other things, increased the existing surcharges for ordinance violations and allowed penalties to be imposed upon users of unreasonable amounts of water. The intent of the amendments was to improve the City's ability to respond to the drought conditions and to enhance the Department's enforcement authority to address wasteful and unreasonable water use among the City's high water users. These measures are still in effect.

On May 31, 2018, Governor Brown signed two long-term water-use efficiency bills: Assembly Bill 1668 and Senate Bill 606. These bills are designed to help the State better prepare for future droughts and climate change. The bills require, among other things, that by January 1, 2025, indoor residential use of water will be reduced to 55 gallons per capita per day, 52.5 gallons per capita per day from 2025 to 2030, and 50 gallons per capita per day beginning on January 1, 2030. Senate Bill 1157, which was signed into law in 2022, further reduced indoor residential water use targets to 47 gallons per capita per day from 2025 to 2030, and 42 gallons per capita per day beginning on January 1, 2030, with future studies on impacts of the 2030 indoor water use standard required to verify efficacy and progress towards that target. The Department has committed to working with the State on those future studies and is in line to meet the revised target for 2025 to 2030, as well as other water use efficiency targets for customers as described under "—Meeting Future Customer Needs—Water Conservation Programs" below.

Water Conservation Actions Taken in Response to 2020-22 Drought. In 2020, the State again began suffering from another drought (the 2020-22 Drought). The 2021 Water Year (October 2020 through September 2021) was the second driest water year on record. The 2022 Water Year (October 2021 through

September 2022) was the 29th driest water year on record. This period also was marked by some of the highest average temperatures ever recorded in California.

Some of the various actions that were taken in response to the 2020-22 Drought included:

- On May 10, 2021, as a result of below average snowpack in late 2020 and early 2021 and the quick melting of the Sierra Nevada snowpack in April and May 2021, Governor Newsom issued a Proclamation of a State of Emergency (the “May 2021 Drought Proclamation”) pursuant to which he declared a drought emergency in 41 of the 58 counties in the State.
- As the drought continued to worsen, on October 19, 2021, Governor Newsom declared a drought emergency for the entire State.
- In March 2022, the Department of Water Resources announced that for 2022 it would reduce allocations from the State Water Project to only 5% of the water requested by the State Water Project contractors (including Metropolitan), as well as any unmet critical human health and safety needs of the State Water Project contractors. One of Metropolitan’s major sources of water is the water it receives from the State Water Project.
- On March 30, 2022, Governor Newsom signed Executive Order N-7-22 which required local water suppliers to move to “Level 2” of their water shortage contingency plans, meaning a reduction of 10-20% within a district. However, the order urged urban water suppliers to conserve based on a shortage of level of up to 30%.
- On April 26, 2022, Metropolitan’s board of directors declared a “Water Shortage Emergency” for the State Water Project-dependent areas and executed an Emergency Water Conservation Program requiring member agencies dependent on State Water Project deliveries (including the Department) to immediately cut water use by implementing one-day-a-week watering restrictions, or the equivalent volumetric limits, by June 1, 2022. Metropolitan did not directly impose the restrictions on consumers, but rather required its member agencies that receive State Water Project deliveries (including the Department) to enforce the watering limits. On May 10, 2022, then-Mayor Garcetti announced that the City would move to Phase III of the City’s Emergency Water Conservation Plan Ordinance, which required all of the Water System’s customers to cut the number of outdoor watering days from three to two. The move to Phase III became effective June 1, 2022.

Starting in late December 2022, a series of storms came through the State and greatly improved hydrologic conditions in the State to such a level that the Department of Water Resources will be able to increase deliveries from the State Water Project and the Governor was able to end many of the restrictions put in place to address the 2020-22 Drought. On February 22, 2023, the Department of Water Resources increased its forecasted State Water Project deliveries to 35% due to intense atmospheric rivers and other storms bringing significant precipitation to the State. At a 35% allocation, the Department of Water Resources no longer needed to allocate human health and safety supplies, and Metropolitan did not accrue any new human health and safety payback obligations for the remainder of 2023. On March 24, 2023, the Department of Water Resources announced that for 2023 it would provide for 75% of the water requested by the State Water Project contractors (including Metropolitan); and, subsequently, on April 20, 2023, the Department of Water Resources announced that for 2023 it would provide for 100% of the water requested by the State Water Project contractors (including Metropolitan).

On March 14, 2023, Metropolitan’s board of directors rescinded the Water Shortage Emergency it had declared on April 26, 2022 and terminated the Emergency Water Conservation Program within the State Water Project dependent area.

With the termination of the Emergency Water Conservation Program and improved hydrologic conditions, in July 2023, the Department again allowed three outdoor watering days. The Department continues to evaluate conditions across the State, as well as locally, and will determine whether amendments to the Emergency Water Conservation Plan Ordinance and other codes and standards are needed to help adapt to the ever-changing climate conditions.

[On December 1, 2023, due to minimal rain and snow received in October and November, the Department of Water Resources announced that for 2024 it would allocate only 10% of water requested by the State Water Project contractors (including Metropolitan). On February 21, 2024, the Department of Water Resources announced that for 2024 it would increase allocations to 15% of water requested by the State Water Project contractors (including Metropolitan), and on March 22, 2024, the Department of Water Resources announced that for 2024 it would increase allocations to 30%. On April 23, 2024, the Department of Water Resources announced that for 2024 it would increase allocations to 40% of water requested by the State Water Project contractors (including Metropolitan).] [According to the Department of Water Resources, the 40% allocation took into account snow survey measurements and data through April 1, 2024 and increased water levels at Lake Oroville. The Department of Water Resources will continue to review conditions and may revise the forecasted allocation later in the Spring of 2024.]

Other Water Conservation Measures Taken by the Department. Years of investments in storage, development of local supplies, and conservation positioned the Southern California region to withstand the 2020-22 Drought. To help maintain supply reliability during extreme climate variability, the Department has continued to invest in conservation and water use efficiency programs and advance “conservation as a way of life” messaging. With proper management of available water supplies and conservation efforts of the Department’s customers, the Department anticipates adequate supplies to meet the City’s water demands in the near term. The Water System continues to monitor water supply/demand conditions and will take the necessary actions to ensure the needs of all of its customer sectors are met. See also “—Meeting Future Customer Needs—Water Conservation Programs” below.

Water Rate Adjustments During Drought. Reduced water usage by the Department’s customers results in reduced Water System revenues; however, such reduction in revenues may be partially offset by a reduction in operating expenses as a result of less water having to be purchased from Metropolitan. Additionally, the existing water rate structure contains several elements available to the Department that help assure financial stability in the event of decreasing sales of water. These include (1) the price differentials between the rates for the four tiers under the Water Rate Ordinance; (2) the Base Rate Revenue Target Adjustment factor (which replaced the water revenue adjustment (the “Water Revenue Adjustment”) factor under the Previous Water Rate Ordinance), first activated by the Board in Fiscal Year 2015-16, provides for the recovery of a specified amount of base rate revenue (essentially consistent with budgeted base rate revenue); and (3) annual and/or semi-annual pass-through charges which adjust for under and over collections due to spending levels and volumes. The Base Rate Revenue Target Adjustment factor is calculated once each year and takes effect on January 1. Between January 1, 2023 and December 31, 2023 Department customers were billed at a rate of \$0.264, \$0.296 and \$0.263 per one hundred cubic feet of metered water usage for Single-Family Residential, Multi-Family Residential, and Commercial, Governmental and Industrial, respectively, for a total revenue collection during 2023 of approximately \$20.6 million. See “WATER RATES—Water Rate Ordinance—General.”

See also “—Sources of Water Supply” above and “CERTAIN INVESTMENT CONSIDERATIONS—Risks Relating to the Water Supply and Sufficiency of Water Supply” below.

Meeting Future Customer Needs

The Department believes that proper management of its water resources, expanded water recycling and conservation programs and development of other local resources will provide adequate water supplies to meet the needs of the City for the foreseeable future.

The California's Urban Water Management Planning Act (the "Water Planning Act") requires California water suppliers, such as the Department, to prepare and adopt an updated urban water management plan ("UWMP") every five years to support their long-term resource planning and to ensure adequate water supplies are available to meet existing and future water demands. The key reporting requirements in the UWMP include, existing and planned sources of water, water demand forecasting, conservation efforts to reduce water demand, activities to develop alternative sources of water, assessment of reliability and vulnerability of water supply, water shortage contingency plan, and reporting on climate change impacts and energy intensity. On May 25, 2021, the Board adopted the Department's most recent UWMP, the 2020 UWMP, which was submitted to the Department of Water Resources in June 2021. The 2020 UWMP serves as the City's master plan for reliable water supply and resources management. With a 25-year planning horizon through 2045, the 2020 UWMP includes a strategy to achieve the Department's goals and policy objectives for reliable water supply. The goals include sustainability initiatives to reduce potable water use per capita by 25% by 2035, reduce dependence on purchased imported water supplies, and accelerate the development of local supplies. The 2020 UWMP includes plans to increase water use efficiency and recycling, as well as cleanup of contaminated groundwater and increasing stormwater capture capacity. The 2020 UWMP also incorporates, where appropriate, the requirements from Assembly Bill 1668 and Senate Bill 606 that establish a new foundation for long-term improvements in water use efficiency.

Projected Supply and Demand. Included in the 2020 UWMP is the Department's projections for future water supplies and demand. The table below shows the Department's projected water supply and demand under two defined hydrologic scenarios: (i) average weather conditions (consisting of 30-year median hydrology from Fiscal Year 1985-86 to Fiscal Year 2014-15), and (ii) a single dry year (such as a repeat of the Fiscal Year 1989-90 dry year). According to the 2020 UWMP, with its current water supplies, planned future water conservation and planned future water supplies (including projected water supplies from Metropolitan), the Department believes that it has water supplies available to meet all demands under both hydrologic scenarios through the 25-year period covered by the 2020 UWMP.

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THE DEPARTMENT'S SUPPLY AND DEMAND FORECAST ¹										
Demand and Supply Projections	Average Weather Year (Fiscal Years 1986 to 2015)					Single Dry Year (Fiscal Year 1990 hydrology)				
	2025	2030	2035	2040	2045	2025	2030	2035	2040	2045
Total Water Demand	643	660	679	698	711	675	693	713	733	746
<u>Existing/Planned Supplies</u>										
Conservation ²	133	134	143	143	145	165	167	177	178	180
Los Angeles Aqueduct	190	189	187	186	184	71	70	70	69	69
Groundwater (total)										
- Entitlements	109	109	109	109	108	121	121	121	121	121
- Groundwater Replenishment	7	11	11	11	11	7	11	11	11	11
- Stormwater Recharge (increased pumping)	4	8	15	15	15	4	8	15	15	15
Recycled Water - Irrigation/Industrial Use	<u>17</u>	<u>29</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>17</u>	<u>29</u>	<u>30</u>	<u>30</u>	<u>30</u>
Subtotal	461	480	495	494	494	386	406	423	424	425
<u>Metropolitan Water Purchases</u>										
With Existing/Planned Supplies	<u>181</u>	<u>180</u>	<u>184</u>	<u>204</u>	<u>217</u>	<u>289</u>	<u>287</u>	<u>290</u>	<u>309</u>	<u>321</u>
Total Supplies	643	660	679	698	711	675	693	713	733	746
¹ Units are in thousand acre-feet per year. Amounts may not total due to rounding. ² Includes both active and passive conservation measured from the Fiscal Year 2013-14 baseline. Source: Department of Water and Power of the City of Los Angeles "2020 Urban Water Management Plan for the Los Angeles Department of Water and Power."										

Water Conservation Programs. Following the severe drought of the late 1980s and early 1990s, the Department developed a water conservation program. Water conservation is an integral part of water resources management efforts for the Department, and is a key element of maintaining a sustainable supply of water for the City.

Noteworthy accomplishments in conservation include the Department's residential ultra-low-flush ("ULF") toilet replacement programs that promoted the replacement of toilets using as much as seven gallons of water per flush with new toilets using 1.6 gallons or less per flush. Implementation of the program, which was completed in 2006, resulted in the replacement of more than approximately 1.4 million toilets. Non-water saving toilets continue to be replaced due to the City's "Retrofit on Resale" ordinance, which requires the installation of toilets that use no more than 1.28 gallons per flush and low-flow showerheads prior to resale of residential properties in the City. Recently, newer high efficiency toilets using only 1.1 gallons or less per flush have been introduced to the market, and the Department provides incentives to customers to replace older toilets with the new premium high efficiency toilets. In addition to toilets, the Department launched a new direct discount program in July 2022 for a real-time water monitoring device. The device offers a suite of features to help customers understand and take control of their water use such as a water budgeting tool and smart leak alerts. The program enables the Department to have access to more granular customer water use data and helps identify the water use behavior and patterns which is essential for future programs. The Department offers other residential incentives such as free low-flow showerheads and aerators, and rebates for high efficiency clothes washing machines.

The Department also has expanded its focus to target outdoor water savings. To this end, the Department implemented a residential and commercial turf replacement program in June 2009 and August 2009, respectively. These programs provide rebates to customers who replace turf with "California Friendly" or native plants. Through June 2024, over [55] million square feet of turf had been removed/replaced, which will result in water savings of approximately [2.42] billion gallons per year. The

Department has recently modified program elements to remove common barriers that would discourage customers from replacing their turf. Some of these efforts include free turf replacement design services, increasing the rebate limit from 1,500 to 5,000 square feet, providing workshops and classes to teach customers how to do the project themselves, and providing a document on tips for how to hire qualified landscaping contractors. The Department offers additional outdoor incentives such as high efficiency irrigation nozzles, smart irrigation controllers, as well as rain barrels and cisterns to capture storm water for reuse.

Conservation programs also include a concerted effort in the non-residential sector. The Department's commercial water conservation rebate program offers financial incentives to the Department's business customers for a wide-range of water saving measures. In addition to those rebated items described above for residential customers, more business tailored items such as air-cooled ice machines, urinals and cooling tower controllers provide incentives for the Department's commercial, industrial and institutional customers. The Technical Assistance Program also offers customized rebates for water savings projects for indoor, process and landscape water uses that are not covered by the typical rebated items. Recently, the Department also implemented a new program which provides commercial customers with free on-site cooling tower and water fixture assessments designed to expedite the process of implementing water efficiency projects in commercial buildings and industrial facilities. In addition, the Department funds improvements to irrigation systems at many City parks, including the installation of California Friendly landscaping, "smart" irrigation controllers, efficient rotors and sprinklers and other upgraded infrastructure.

The Department's water conservation programs also include comprehensive efforts in awareness and education. The Department is an original signatory to the Memorandum of Understanding Regarding Urban Water Conservation in California. The Memorandum of Understanding has two primary purposes: (i) to expedite implementation of reasonable water conservation measures in urban areas and (ii) to establish assumptions for use in calculating estimates of reliable future water conservation savings resulting from proven and reasonable conservation measures. The Department also was an active participant in the California Urban Water Conservation Council ("CUWCC"), which is the organization formed as a result of the Memorandum of Understanding. With increased pressure from a changing climate, more severe droughts and water uncertainty, and new mandatory regulations from the State, including new framework to "Make Water Conservation a California Way of Life," the CUWCC membership voted to allow the organization to be replaced with a new one: the "California Water Efficiency Partnership," of which the Department is an active member. The Department has acquired local, state and federal grant funds which the Department uses to leverage its water conservation investments and achieve higher levels of water conservation savings. The Department is actively pursuing current and future funding opportunities to reach its 2020 UWMP goals for conservation, as well as to ensure compliance with upcoming regulatory requirements. Some of these funding opportunities originated in the federal Infrastructure Investment and Jobs Act as well as the federal Inflation Reduction Act, while other opportunities are coming from the State of California's Drought Relief Funding.

In September 2017, the Department conducted a Water Conservation Potential Study ("WCPS") to determine the Department's remaining water conservation potential. The Department is using the WCPS to assist it in reaching the long-term water use efficiency goals from the 2020 UWMP that will help ensure a sustainable and reliable water supply. These goals also will help ensure future compliance with new regulatory standards under development by the Department of Water Resources and the State Water Resources Control Board to make conservation a "California Way of Life." The Department projects an additional 144,000 acre-feet per year of conservation by 2045. The WCPS identified significant savings potential by continuing to invest in rebate programs for efficient devices, extending education and outreach programs, and updating requirements through codes and ordinances.

Reduced water usage resulting from the Department's conservation program will reduce Water System revenues; however, the Department's existing water rate structure contains several elements available to the Department that help assure financial stability in the event of decreasing sales of water. See "WATER RATES."

Enhanced Stormwater Capture. The 2020 UWMP also calls for stormwater capture to augment local water supplies. The Department funds and implements new stormwater infrastructure to replenish its groundwater basins and incentivizes residential stormwater reuse through rain barrel and cistern rebates. According to the 2020 UWMP, by 2035, under average weather conditions, stormwater capture is projected to increase groundwater pumping in the San Fernando Basin by 15,000 acre-feet per year. As of June 30, 2024, [82,626] acre-feet per year of stormwater capture capacity existed within the City, which significantly increases the local groundwater supplies in agreement with augmenting local and sustainable water sources as stated in the 2020 UWMP. The Department's Tujunga Spreading Grounds Enhancement Project was recently put in service, increasing annual capture capacity by 8,000 acre-feet, which allows for expanded groundwater pumping. In addition, the Department is implementing smaller-scale projects, such as the Stormwater Capture Parks Program, that will increase annual capture capacity by 3,000 acre-feet. Stormwater recharge increases long-term groundwater sustainability during extended dry periods. Aside from increased water supply, stormwater capture projects receive community-wide support and provide positive externalities, such as improvements in stormwater quality, local flooding mitigation, recreational opportunities, and economic growth.

Water Transfers. The Department plans to acquire water to replace a portion of the Los Angeles Aqueduct supply reallocated for environmental uses in the Owens Valley and Mono Basin. See "FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY—Owens Valley and Mono Basin Environmental Commitments—Owens Valley—Owens Lake Dust Control." The Department is currently reviewing its options for the acquisition of water from the water market. The City entered into an agreement with the Department of Water Resources, the Antelope Valley-East Kern Water Agency and Metropolitan that permits the Department to construct and operate a water service turnout, the Los Angeles Aqueduct-California Aqueduct Intertie Pump Station, in order to deliver water from the California Aqueduct to the Los Angeles Aqueduct where the two aqueducts cross in the Antelope Valley. In September 2017, the Department of Water Resources accepted the turnout, which enables water transfers from water rights holders in the Central and Sacramento Valleys to the Los Angeles Aqueduct. Conditions precedent to such delivery of water include obtaining agreements for the transfer of non-State Water Project water, accessing available excess capacity in the California Aqueduct and compliance with State Water Project water quality requirements.

Seawater Desalination. The Department has evaluated seawater desalination as a potential source of water. Seawater desalination is the process of removing salts and other impurities from ocean water. However, due to its high cost and environmental concerns, the Department has determined not to pursue seawater desalination at this time, but it continues to monitor potential technological advances that may reduce the costs of seawater desalination.

WATER SYSTEM INFRASTRUCTURE PROGRAM

Asset Management

The Department has implemented an asset management program to address the long-term sustainability of its major facilities and infrastructure. The program involves refining operations and maintenance practices and procedures for each asset type, evaluating the condition, criticality and expected life of each asset, and developing a strategy for scheduling the rehabilitation and replacement of these

assets. This information is used to determine staffing levels needed for appropriate operations and maintenance and to determine the long-term funding needed for rehabilitation and replacement.

In Fiscal Year 2005-06, the Department began evaluating its 84 pump stations through a condition assessment process. From these assessments, since 2012, over 123 pumps and motors have been replaced or refurbished. This assessment also was used to help establish appropriate maintenance staffing levels in the Pump Station Maintenance group. In Fiscal Year 2009-10, the Department completed evaluations of its 331 active regulator and relief stations. Additionally, since 2003, the Department has been supporting a regulator station retrofit program to improve the operation and maintainability of the stations as well as reduce the required corrective maintenance. Over 175 regulator stations have been retrofitted since the beginning of the program. Since 2017, the Department has had a regulator station header replacement program and has completed nine stations to date. Condition assessments of storage tanks was conducted in Fiscal Year 2016-17. In Fiscal Year 2021-22, the Department conducted a comprehensive condition assessment of 19 pump stations and 13 regulator and relief stations. The results of the assessment were used for conducting a risk-based capital asset management analysis, which identified actionable items at the program capital and operation and maintenance levels.

To assess the condition of the Department's approximately 7,340 miles of pipelines, the Department's Asset Management Group has developed condition and risk replacement models based on the likelihood and consequence of failure. The model for pipelines with diameters of 20 inches and smaller is currently being used to assist the Department in the identification and prioritization of mainline replacement projects. A similar model for larger pipelines has been used to help prioritize new trunk line replacements.

The Department is continuing to further develop its asset management program by enhancing its teams to further improve management of its infrastructure assets. In 2021, the Department's Asset Management Group developed a proposed organizational plan to ensure appropriate resources are identified to build out the Water System Asset Management Program and to improve coordination across divisions. The proposed organizational plan consists of adopting a hybrid asset management approach instead of the existing centralized approach. The structure under the new hybrid approach was approved by the Asset Management Steering Committee in 2022. As a result, resources were added in the Water Operation Division to streamline data and condition assessments for vertical assets in support of the Water System Asset Management Program.

Pipeline Replacement Program

The Department has been working proactively to identify both transmission and distribution pipelines most in need of repair and replacement. The Water System's asset management program plays a vital role in the pipe replacement prioritization effort, which takes into consideration factors such as pipe leak history, age, material, pressure range, soil corrosivity, and other variables that may influence pipe failure. During Fiscal Years 2024-25 through 2028-29, the Department plans to invest approximately \$1.0 billion in projects to rehabilitate or install additional and replacement trunk lines for infrastructure and water quality purposes.

As part of its mainline replacement program, the Department has replaced over 870,000 feet (165 miles) of distribution mainline in the past five years (ended June 30, 2023). Planned incremental increases to mainline replacement will ultimately result in a 150-year replacement cycle that approximates the expected life cycle of the water distribution system pipes. During Fiscal Years 2024-25 through 2028-29, the Department plans to invest approximately \$706.9 million in projects to replace mainlines, to ensure infrastructure integrity and continued service reliability.

The primary objective of the Water System's pipe replacement program is to enhance service reliability of the water distribution infrastructure. Pipe leak rate varies from year to year, and extreme seasonal weather variations can significantly influence the amount of leaks in the distribution system. Pressure fluctuation also is a driver for leaks, and the Department has increased emphasis on pressure management through the use of pressure monitors in various areas within the distribution system. Assisted by a focused pipe replacement program, the Department's water distribution system leak rate has decreased with a 3-year (ended June 30, 2024) annual leak rate averaging [●] leaks per 100 miles of pipe. This rate is below the national average for water utilities of 25 leaks per 100 miles of pipe.

The Department is implementing additional infrastructure improvement programs to complement the distribution mainline replacement program. These programs include the large valve replacement program (for valves 16 inches and longer), regulator station rehabilitation/retrofit program, pump/motor rehabilitation/retrofit program, small meter replacement program, pre-stressed concrete cylinder pipe condition assessment program, and cathodic protection anode station replacement program for the protection of steel pipelines against corrosion. Furthermore, pressure management and leak detection are increasingly being implemented to assist with optimization of the distribution system operations. Finally, earthquake resistant pipe is being installed in the most seismically vulnerable segments of the distribution system as part of building resiliency through pipe replacement.

See also "FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY—Lead and Copper Rule (Corrosion Control)."

Seismic Strengthening of Facilities

The Department has for many years been involved with designing facilities for seismic resistance and upgrading and improving older, seismically susceptible facilities.

The Department is currently re-evaluating several of its dams for seismic stability utilizing current knowledge in Southern California seismicity and state of the art and practice dam engineering technologies, including Tinemaha Dam, Eagle Rock Dam and South Haiwee Dam. North Haiwee Dam No.2 is currently being constructed to replace North Haiwee Dam. The Department continues to apply the dam risk assessment program developed with the input from the Department of Water Resources, Division of Safety of Dams to help prioritize dam safety projects. Previously, an initial screening review of 17 dams located south of the San Andreas Fault that was performed by an independent consultant and identified eight dams that needed additional evaluation. A detailed evaluation program is continuing for the eight dams which have shown those dams to be safe in their normal or permanently restricted operating water level. As a result of this evaluation program, the Department has upgraded seismic monitoring instrumentations at several high hazard dams and significantly improved dam safety monitoring and emergency response. The Department is currently conducting the seismic study for Eagle Rock Dam, as well as the dams located north of the San Andreas Fault in the Owens Valley based on risk assessment techniques. Additionally, the Department completed the development of dam inundation maps and emergency action plans for dams with significant or high downstream hazards, and received approval for both by the Department of Water Resources, Division of Safety of Dams and the California Governor's Office of Emergency Services.

Additionally, the Department is implementing a Water Seismic Resilience and Sustainability Program (the "Seismic Resilience Program"). This was initiated in 2014 with the development of a Water System Seismic Resilience and Sustainability Program summary report. The Seismic Resilience Program gained momentum from Mayor Garcetti providing specific direction and priority in his Resilience by Design Report in December 2014. The Seismic Resilience Program was expanded with Mayor Garcetti's release of the "Resilient Los Angeles" report in March 2018. These resilience programs aim to improve the resilience of the entire Water System (supply, treatment, transmission, and distribution) against

significant hazards and stressors, including, among others, earthquakes, floods, volcanoes, climate change, through planning, evaluation, and monitoring to identify and implement needed mitigation projects and improved emergency response and recovery capabilities. The Seismic Resilience Program includes planning and design activities for the Los Angeles Aqueduct where it crosses the San Andreas Fault which includes (a) the design of a seismic enhancement project to increase the opportunity to provide water through the Los Angeles Aqueduct in the event of an earthquake along the San Andreas Fault, and (b) evaluating options for developing an engineered solution for the largest movement expected on the fault. Additionally, the Los Angeles Aqueduct performance is being evaluated in the event of a magnitude 7.8 earthquake along the San Andreas Fault to assess potential damage and restoration timeframe. The Department is using this evaluation to develop an emergency response and restoration plan addressing specific vulnerabilities of the Los Angeles Aqueduct. The Department also has co-founded the Seismic Resilient Water Supply Task Force (the “Seismic Task Force”), with Metropolitan and the Department of Water Resources. The Seismic Task Force has begun looking at the Los Angeles Aqueduct, the California Aqueduct and the Colorado River Aqueduct as a regional system to determine best practices to provide water to the population as quickly as possible following a San Andreas fault event. In January 2019, the Department completed its performance based seismic design guideline. This design guideline is the first of its kind in the nation and sets forth an approach to implementing performance based seismic design for the Water System. Other aspects of the Seismic Resilience Program include developing plans for creating a seismic resilient pipe network. These will include assessing Water System vulnerability, post-earthquake hydraulic capabilities using an in-house program developed with Cornell University, and identifying performance criteria in support of community resilience.

The Department continues to improve the distribution system by utilizing special seismically designed earthquake resistant ductile iron pipe (the “Earthquake Resistant Pipe”). The Department has installed over twelve miles of Earthquake Resistant Pipe across the distribution system since 2015. This program continues to identify the feasibility of expanding the utilization of Earthquake Resistant Pipe in the Department’s distribution system. Along with steel pipe, Earthquake Resistant Pipe are utilized as part of the Department’s Earthquake Resistant Pipe Program to improve the Water System’s capacity to handle potential seismic hazards. The construction of two miles of 54-inch diameter Earthquake Resistant Pipe for the Foothill Trunk Line is substantially completed in an area where damage occurred to the distribution system during the 1971 San Fernando Earthquake. Several miles of other water main lines and trunk lines are in the planning and design phases following the seismic design guidelines.

For a discussion of seismic activity and volcanic activity see “CERTAIN INVESTMENT CONSIDERATIONS—Risks Relating to the Water Supply and Sufficiency of Water Supply—Seismic Activity” and “—Volcanic Activity.”

Projected Capital Improvements

Extensive planning and a comprehensive program of construction and reconstruction are continuously under review and evaluation in order to permit the Department to meet the use patterns of the Department’s customers and to promote system reliability.

The Department currently estimates that the capital improvement program for the Water System will cost approximately \$7.0 billion between Fiscal Years 2024-25 and 2028-29. Approximately 31% of this amount is estimated to be funded directly through rate collections from customers, with the balance being funded from proceeds of previously issued Water System Revenue Bonds, Additional Parity Obligations (including additional Water System Revenue Bonds and additional loans from the State Water Resources Control Board) and additional Proposition 1 grants, as described below.

Following is a summary of the currently projected Water System capital program for the Fiscal Years 2024-25 through 2028-29 and the projected external financing requirements over that period. There can be no assurance that costs for construction of the capital improvements to the Water System will not significantly exceed the amounts projected by the Department. See “CERTAIN INVESTMENT CONSIDERATIONS—Costs of Capital Improvement Program; Increased Water Rates.”

Projected Capital Expenditures. The following table sets forth the expected funding sources for the capital improvements to the Water System for Fiscal Years 2024-25 through 2028-29.

**EXPECTED FUNDING SOURCES FOR
CAPITAL IMPROVEMENTS TO THE WATER SYSTEM
(\$ in millions)**

Fiscal Year Ending June 30	Internally Generated Funds	Parity Obligations^{1,2,3}	Total Projected Capital Expenditures⁴
2025	\$ 349	\$ 610	\$ 959
2026	681	770	1,451
2027	502	1,042	1,544
2028	337	1,182	1,519
2029	<u>305</u>	<u>1,208</u>	<u>1,513</u>
Total ⁴	<u>\$2,174</u>	<u>\$4,812</u>	<u>\$6,986</u>

Source: Department of Water and Power of the City of Los Angeles.

¹ Consists of proceeds of previously issued Water System Revenue Bonds, the Series A Bonds, additional Water System Revenue Bonds and additional loans from the State Water Resources Control Board.

² Does not include any “rate reduction bonds”. As of the date of this Official Statement the Department’s plan of finance for its capital improvement program expected to be implemented between Fiscal Years 2024-25 and 2028-29 does not include the issuance of “rate reduction bonds”; however, the Department continues to evaluate if the issuance of “rate reduction bonds” would be advantageous to the Department

³ If the Department receives Proposition 1 funds, the amount of Water System Revenue Bonds to be issued would be reduced.

⁴ Totals may not equal sum of parts due to rounding.

The capital program for Fiscal Years 2024-25 through 2028-29 will be focused on projects necessary to comply with increasing water quality standards, expand and upgrade the existing distribution system, including the replacement of aging infrastructure, protect existing water supplies, develop new water resources and meet other regulatory requirements. Major components of the program are expected to include:

Safe Drinking Water Program

- Trunk line replacements and installations supporting water quality improvement projects. The Department estimates that these projects will cost approximately \$55.9 million.
- Chlorination stations and treatment facilities - additions, upgrades, and improvements of new and existing treatment facilities necessary to provide and maintain water quality. The Department estimates that these projects will cost approximately \$104.9 million.

- Groundwater remediation and cleanup – facilities to treat contaminated groundwater supplies, both centralized and local well-head facilities. The Department estimates that these projects will cost approximately \$91.8 million.
- Meter Replacement Program - replacement of water meters throughout the City. The Department estimates that this project will cost approximately \$117.9 million.
- Water Quality Improvement Program - Reservoir Improvements. Facilities necessary to provide reliable service while removing open reservoirs from direct service. The Department estimates that this project will cost approximately \$89.9 million.
- Water treatment improvements, including corrosion protection, and additions and betterments to the Water System. The Department estimates that these projects will cost approximately \$660.8 million.
- Water reuse - activities associated with the delivery of new facilities, or conversion of existing facilities, to produce advanced treated recycled water for potential replenishment of groundwater basins and other potable reuse purposes. The Department estimates that these activities will cost approximately \$580.0 million over the next five Fiscal Years.
- Water System Organization Facilities - Water Quality - funds for the Silverlake and Ivanhoe Reservation Aeration and Recirculation Projects. The Department estimates that these projects will cost approximately \$1.0 million.
- Tools and Equipment - Water Quality - funds for laboratory testing equipment, surveying instruments, and devices for the Electrical Engineering Group. The Department estimates that these projects will cost approximately \$3.8 million.
- Water System Security Improvements - Water Quality - funds for security additions and betterments for existing Water System facilities. The Department estimates that these projects will cost approximately \$1.6 million.

Owens Valley Regulatory Program

- Supplemental dust control and master plan for Owens Lake to mitigate dust at the dry lake bed. The Department estimates that these projects will cost approximately \$196.4 million. See “FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY—Owens Valley and Mono Basin Environmental Commitments.”

Local Water Supply Program

- Groundwater management in San Fernando Basin, Central Basin and smaller basins within the City. The Department estimates that these projects will cost approximately \$38.5 million.
- Capital improvements to the Los Angeles Aqueduct system, including relining and coating aqueduct piping, improving channels, and improvements to control structures. The Department estimates that these projects will cost approximately \$250.0 million.
- Recycled water including distribution facilities for irrigation, and industrial uses throughout the City, including pipelines, tanks, and pumping facilities and ground water

replenishment projects. The Department estimates that these projects will cost approximately \$95.9 million.

- Stormwater capture - projects to increase watershed capacity to capture and use local stormwater (i.e. groundwater replenishment, non-potable re-use), which include but are not limited to, spreading grounds, green stormwater infrastructure, rain barrel/cistern rebates. The Department estimates that these projects will cost approximately \$334.8 million.

- Water Conservation - investments in efficiency rebates, technical assistance programs and investments in Water System conservation devices. The Department estimates that these projects will cost approximately \$91.6 million.

Water System Infrastructure Program

- Replacement of aging infrastructure and providing new facilities and enlargements for additional supply. Facilities include: pumping stations, regulator stations, mainlines, trunk lines, seismic improvements, tanks and reservoirs, meters and services. The Department estimates that these projects will cost approximately \$3.2 billion.

Other Infrastructure and Operational Support

- Investments in support facilities and equipment, security improvements, technology investments, and fleet equipment used to support Water System operations. The Department estimates that these programs will cost approximately \$1.0 billion.

Rate Reduction Bonds. In accordance with California Assembly Bill 850, which was sponsored by the Department and was adopted by the State Legislature and signed by Governor Brown in October 2013, as amended by Assembly Bill 305, which was adopted by the State Legislature and signed by Governor Newsom on September 5, 2019, and as further amended by Assembly Bill 758, which was adopted by the State Legislature and signed by Governor Newsom on September 23, 2021 (collectively, “AB850”), the Department may finance a portion of its capital improvement program with “rate reduction bonds.” The “rate reduction bonds” would be issued by the Southern California Public Water Authority (the “Water JPA”), a joint powers authority created by the Department and the City of Burbank. The “rate reduction bonds” would be secured by a separately imposed utility project charge that would be imposed by the Water JPA on the customers of the Department.

As of the date of this Official Statement, a utility project charge has not been imposed on the Department’s customers. Additionally, the Department’s plan of finance for its capital improvement program expected to be implemented between Fiscal Years 2024-25 and 2028-29 does not include the issuance of “rate reduction bonds”; however, the Department continues to evaluate if the issuance of “rate reduction bonds” would be advantageous to the Department. Under AB850, the Department’s authorization to issue “rate reduction bonds” expires on December 31, 2026.

OPERATING AND FINANCIAL INFORMATION

Summary of Operations

For the three months ended September 30, 2024, approximately []% of total water sold (based on volume) was to single family residential customers, []% to multi residential dwelling customers, []% to commercial and industrial customers, and the remainder to other users. The table below presents certain summary operating information with respect to the Water System.

WATER SYSTEM
SELECTED OPERATING INFORMATION
(Unaudited)

	Three Months Ended September 30		Fiscal Year Ended June 30				
	2024 ²	2023	2024	2023	2022	2021	2020
Operating Statistics:							
Water Supply (Millions of Billing Units of 100 cu. Ft.):							
Local Underground Supply				12.7	23.1	24.0	15.0
Los Angeles Aqueduct				80.3	30.1	55.9	127.2
Deliveries From							
Metropolitan				95.7	159.7	138.0	67.0
Recycled Water				4.1	5.2	4.9	4.2
Total Supply ¹				192.6	218.2	222.8	213.4
Less:							
Transfers and Diversions To (From) Storage				0.2	0.1	(0.4)	0.3
System Uses and Losses				12.0	17.5	13.7	15.0
Total Water Sold ¹				180.4	200.6	209.5	198.1
Water Sales (Millions of Billing Units of 100 cu. Ft.):							
Single-family Residential				62.8	76.9	82.8	75.2
Multiple Dwelling Units				59.9	62.8	65.4	63.1
Commercial and Industrial				42.3	43.5	43.3	43.0
Other				14.1	16.0	17.8	18.6
Total ¹				179.1	199.2	209.3	199.9
Average Number of Customers (In Thousands):							
Single-family Residential				497	496	495	493
Multiple Dwelling Units				124	123	122	121
Commercial and Industrial				68	68	67	67
Other				8	8	8	8
Total ¹				697	695	692	689
Operating Revenues (In Thousands):							
Single-family Residential				\$ 607,522	\$ 673,926	\$ 634,785	\$ 537,610
Multiple Dwelling Units				557,060	500,162	460,541	402,017
Commercial and Industrial				395,676	351,707	301,159	253,165
Other				101,020	80,883	67,296	82,275
Total ¹				\$1,661,278	\$1,606,678	\$1,463,781	\$1,275,067
Average Revenue Per Hundred Cubic Feet Sold:							
Single-family Residential				\$9.677	\$8.761	\$7.662	\$7.147
Multiple Dwelling Units				9.300	7.961	7.045	6.370
Commercial and Industrial				9.350	8.082	6.949	5.894
Other				7.158	5.070	3.775	4.427
Average Consumption Per Person Per Day (Gallons)				101	113	112	105

Source: Department of Water and Power of the City of Los Angeles.

¹ Totals may not add up due to rounding.

² Data for the three months ended September 30, 2024 is preliminary and subject to change. Results for the first three months of Fiscal Year 2024-25 may not be indicative of results for the full Fiscal Year 2024-25.

Financial Information

The table below presents certain summary financial information with respect to revenues, expenses and debt service coverages for the Water System.

WATER SYSTEM SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE (Dollars in Thousands) (Unaudited)

	Three Months Ended September 30		Fiscal Year Ended June 30 ¹				
	2024 ⁷	2023	2024	2023	2022	2021	2020
Operating Revenues:							
Single-family Residential				\$ 607,522	\$ 673,926	\$ 634,785	\$ 537,610
Multiple Dwelling Units				557,060	500,162	460,541	402,017
Commercial and Industrial				395,676	351,707	301,159	253,165
Other				101,020	80,883	67,296	82,275
Total Operating Revenues ²				\$1,661,278	\$1,606,678	\$1,463,781	\$1,275,067
Operating Expenses:							
Purchased Water				\$238,856	\$346,568	\$296,261	\$160,228
Maintenance and Other							
Operating Expenses				768,375	634,975	573,330	599,703
Total Operating Expenses							
Excluding Depreciation ²				\$1,007,231	\$981,543	\$869,591	\$759,931
Operating Income Before Depreciation				\$654,047	\$625,135	\$594,190	\$515,136
Nonoperating Revenues, Net				\$ 19,797	\$ (8,124)	\$ 19,630	\$ 62,589
Capital Contributions				92,820	41,137	92,739	47,148
Adjusted Change in Fund Net Position Before Depreciation, Amortization and Interest ³				\$766,664	\$658,148	\$706,559	\$624,873
Debt Service							
Interest ⁴				\$270,585	\$251,764	\$246,741	\$248,566
Principal				125,446	105,081	90,351	88,356
Total Debt Service on Bonds ²				\$396,031	\$356,845	\$337,092	\$336,922
Depreciation and Amortization				\$236,008	\$218,599	\$207,264	\$197,835
Debt Service Coverage ^{5,6}				1.94x	1.84x	2.10x	1.85x

Source: Department of Water and Power of the City of Los Angeles.

¹ Derived from the Water System Financial Statements.

² Totals may not add up due to rounding.

³ “Adjusted” indicates measurements of financial and/or operating performance that are not specifically disclosed in the Water System Financial Statements, as depreciation, amortization and interest are included as a component of the increase in net position in the Water System Financial Statements.

⁴ Excludes amortization of debt expenses/premiums.

⁵ Adjusted Change in Fund Net Position Before Depreciation and Interest divided by Total Debt Service on Bonds.

⁶ Between Fiscal Years 2024-25 and 2028-29, the Department expects approximately \$4.8 billion of the costs of its capital improvement program will be paid with external financing sources, including Additional Parity Obligations (consisting of additional Water System Revenue Bonds and additional loans from the State Water Resources Control Board) and additional Proposition 1 grants. The issuance of any Additional Parity Obligations may result in a decline in the debt service coverage ratio. See “WATER RATES—Board Adopted Financial Planning Criteria.”

⁷ Data for the three-months ended September 30, 2024 is preliminary and subject to change. Results for the first three months of Fiscal Year 2024-25 may not be indicative of results for the full Fiscal Year 2024-25.

⁸ The Purchased Water expense for the three-months ended September 30, 2024 and September 30, 2023 are estimates and subject to change. The full Fiscal Year Purchased Water expense may be more or less than such estimates.

Outstanding Indebtedness

General. As of December 1, 2024, the Department had approximately \$[•] billion in principal amount of debt outstanding payable from the Water Revenue Fund, comprised of approximately \$[•] billion of revenue bonds, \$[•] million of loans provided to the Department by the State Water Resources Control Board, and a \$1 million loan from the Department of Water Resources pursuant to Proposition 1. In connection with the Department's expected capital improvements to the Water System, the Department anticipates that it will fund approximately \$4.2 billion of the costs of the capital improvements with proceeds of previously issued Bonds and additional debt payable from the Water Revenue Fund (including the Series A Bonds) to be issued and/or incurred through June 30, 2028. See "WATER SYSTEM INFRASTRUCTURE PROGRAM—Projected Capital Improvements" and "Note (6) – Long-Term Debt" in "APPENDIX A—FINANCIAL STATEMENTS" attached hereto.

Certain of the Department's outstanding revenue bonds payable from the Water Revenue Fund (the Series 2010A Bonds) are "federally subsidized direct-pay" bonds, which instead of the interest being tax-exempt, the Department receives a subsidy payment from the Treasury Department equal to 35% of the interest paid. Pursuant to certain federal budget legislation adopted in August 2011, starting as of March 1, 2013, the government's subsidy payments were reduced as part of a government-wide "sequestration" of many program expenditures. The amount of the reduction of the subsidy payment has ranged from a high of 8.7% in 2013 to a low of 5.7% for federal fiscal years 2021 through 2031. The amount of this reduction for the Water System has been less than \$852,000 annually and such reductions are presently scheduled to continue through September 30, 2031.

Congress can terminate, extend, or otherwise modify reductions in subsidy payments due to sequestration at any time. In addition, under the Statutory Pay-As-You-Go Act of 2010, an increase in the federal deficit caused by a new tax or entitlement spending law could trigger further sequestration reductions to non-exempt mandatory spending programs, absent a waiver either as part of the triggering law or in subsequent legislation. If the sequestration reduction rate were to increase to 100%, the reduction in subsidy payments for the Water System would currently be approximately \$13.5 million annually.

As of the date of this Official Statement, the Department has not entered into any derivative financial products with respect to the Water System.

Standby Bond Purchase Agreements. The Department's (a) Water System Variable Rate Demand Revenue Bonds 2001 Subseries B-1, B-2 and B-3 (the "Subseries 2001B-1/B-2/B-3 Bonds"), (b) Water System Variable Rate Demand Revenue Bonds 2001 Subseries B-4 Bonds (the "Subseries 2001B-4 Bonds"), (c) Water System Variable Rate Demand Revenue Bonds, 2019 Subseries A-1 (the "Subseries 2019A-1 Bonds"), (d) Water System Variable Rate Demand Revenue Bonds, 2019 Subseries A-2 (the "Subseries 2019A-2 Bonds"), and (e) Water System Variable Rate Demand Revenue Bonds, 2021 Subseries A-1/A-2 (the "Subseries 2021A-1/A-2 Bonds," and collectively with the Subseries 2001B-1/B-2/B-3 Bonds, the Subseries 2001B-4 Bonds, the Subseries 2019A-1 Bonds and the Subseries 2019A-2 Bonds, the "Variable Rate Bonds") were initially issued to bear and currently bear interest at variable rates. In connection with the Variable Rate Bonds, the Department has or will enter into five separate standby bond purchase agreements (collectively, the "Standby Bond Purchase Agreements"), respectively, as described in the following table:

Subseries of Bonds	Outstanding Principal Amount of Bonds	Provider of Standby Bond Purchase Agreement	Expiration Date of Standby Bond Purchase Agreement
2001B-1/B-2/B-3	\$126,200,000	PNC Bank, National Association	January 9, 2029
2001B-4	56,100,000	Barclays Bank PLC	January 23, 2026
2019A-1	130,000,000	Barclays Bank PLC	January 23, 2026
2019A-2	70,000,000	Barclays Bank PLC	January 23, 2026
2021A-1/A-2	200,000,000	TD Bank, N.A.	January 22, 2027

In the event PNC Bank, National Association, Barclays Bank PLC or TD Bank, N.A. (collectively, the “Variable Rate Banks”) are required to purchase the respective Variable Rate Bonds (“Variable Rate Bank Bonds”) as a result of a failure by the applicable remarketing agent to remarket such Variable Rate Bonds, the Department is required pursuant to the applicable Standby Bond Purchase Agreement to pay all principal of and interest on such Variable Rate Bank Bonds to the applicable Variable Rate Bank within five years of such Variable Rate Bank’s purchase of such Variable Rate Bank Bonds. Upon the happening of an event of default under a Standby Bond Purchase Agreement (which include, among other events, the Department’s failure to pay the applicable Variable Rate Bank any amounts due under the applicable Standby Bond Purchase Agreement, the Department’s failure to pay principal of and interest on any Outstanding Bonds or other obligations of the Department payable from the Water Revenue Fund on parity with the Series A Bonds, or the Department’s failure to comply with the covenants under the applicable Standby Bond Purchase Agreement), all obligations of the Department to the applicable Variable Rate Bank under such Standby Bond Purchase Agreement will be immediately due and payable. Any repayment obligations of the Department incurred pursuant to the Standby Bond Purchase Agreements are payable from the Water Revenue Fund on parity with the Series A Bonds.

Wells Fargo Credit Agreement. On May 25, 2023, the Department entered into a second amended and restated revolving credit agreement (the “Wells Fargo Credit Agreement”) with Wells Fargo Bank, National Association (“Wells Fargo”), pursuant to which Wells Fargo has committed to make loans to the Department in a principal amount not-to-exceed \$300 million outstanding at any one time; provided that the Department can request that Wells Fargo increase the available commitment under the Wells Fargo Credit Agreement by an additional \$200 million, with approval of such increase being at the sole discretion of Wells Fargo. The Department can request loans for Water System improvements, Power System improvements and/or such other lawful purposes of the Department. Loans for Water System improvements and purposes are payable from the Water Revenue Fund; and loans for Power System improvements and purposes are payable from the Power Revenue Fund. [As of December 1, 2024, the Department had no loans outstanding under the Wells Fargo Credit Agreement for either the Water System or the Power System.] Under the Wells Fargo Credit Agreement, amounts due may be paid by the Department at any time at its option and in the event of default under the Wells Fargo Credit Agreement, amounts outstanding would be due immediately. The Department expects to pay principal amounts due under the Wells Fargo Credit Agreement and payable from the Water Revenue Fund from proceeds of subsequent borrowings or from reserves available to the Water System. Amounts borrowed under the Wells Fargo Credit Agreement and payable from the Water Revenue Fund are considered Parity Obligations under the Master Resolution. The Wells Fargo Credit Agreement currently has an expiration date of May 22, 2026.

FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY

The Department is required to comply with various federal and State drinking water rules and regulations. The Department has a compliance manager and supporting staff that are responsible for monitoring federal and State drinking water rules and regulations and the Water System's compliance with these rules and regulations. The Department is in material compliance with all federal and State drinking water rules and regulations. Following is a discussion of certain federal and State rules and regulations that must be complied with by the Department in connection with the operation of the Water System. See "CERTAIN INVESTMENT CONSIDERATIONS—Statutory and Regulatory Compliance."

Owens Valley and Mono Basin Environmental Commitments

Owens Valley.

Owens Lake Dust Control. Historically, the Owens River was the main source of water for Owens Lake. Diversion of water from the river, first by farmers in the Owens Valley and then by the City, combined with the naturally-fluctuating lake level, resulted in significant reductions in the elevation of water in the lake by the late 1920s. The resulting exposed lakebed became a significant source of windblown dust. In 1987, the EPA established the National Ambient Air Quality Standards for particulate matter less than 10 microns in average aerodynamic diameter ("PM-10"). Consequently, in 1991, the EPA classified the southern Owens Valley as a "serious non-attainment" area for PM-10. The EPA required the Great Basin Unified Air Pollution Control District ("GBUAPCD") to prepare a State Implementation Plan to bring the region into compliance with federal air quality standards by 2006 (the deadline was later revised by GBUAPCD to March 23, 2017). GBUAPCD is a California regional government agency established in 1974 by the counties of Inyo, Mono and Alpine pursuant to a joint powers agreement, whose purpose is to enforce federal, State and local air quality regulations and to ensure that the federal and state air quality standards are met in the Great Basin Valleys Air Basin.

Since 1991, the Department and GBUAPCD have been involved in numerous disputes regarding the extent of the Department's responsibility to mitigate dust emissions in Owens Valley. After several years of litigation and extensive negotiations between the Department and GBUAPCD, in 2013, the Department and GBUAPCD entered into a settlement agreement, that was subsequently memorialized in a stipulated judgment (the "Stipulated Judgment") issued by the Superior Court of the State, County of Sacramento in December 2014. Pursuant to the Stipulated Judgment, GBUAPCD agreed to, among other things, limit dust mitigation orders to no more than 48.6 square miles, plus 4.8 square miles of contingency measures, for a total of 53.4 square miles. In April 2016, GBUAPCD issued the 2016 State Implementation Plan (the "2016 SIP") which provides for (i) a plan to attain the National Ambient Air Quality Standards' PM-10 level in Owens Valley, and (ii) implementation of the provisions of the Stipulated Judgment.

The Department began mitigating dust emissions from Owens Lake in 2001, and as of the date of this Official Statement, the Department has successfully implemented approximately 48.6 square miles of dust mitigation on Owens Lake, at a total cost of more than \$2.5 billion. These costs include capital costs, operation and maintenance costs, regulatory fees, and replacement water costs.

The Department and GBUAPCD are currently in litigation with respect to certain measures GBUAPCD has ordered the Department to undertake on a five-acre site on Owens Lake that contains cultural resources valued by local Native American tribes. The Department intends to vigorously defend and prosecute its position in these lawsuits, but cannot predict the ultimate outcome of the cases.

During the spring and summer of 2023, the Department experienced a near record amount of runoff from the record snowpack. Beginning in December 2022, the Department concentrated a large amount of

resources to manage the expected flood waters into the Owens Lake playa and to protect the existing dust mitigation infrastructure at Owens Lake. Even though the runoff was extremely high, cooler than normal spring and summer temperatures lowered the expected peak of the runoff and prevented damage from occurring. However, during August 2023, Tropical Storm Hilary caused intense flooding and damage to the dust mitigation infrastructure at Owens Lake. The infrastructure damaged at Owens Lake does not impact Los Angeles Aqueduct operations, but it will impact the ability of the Department to be fully compliant with the air regulations. The Department requested, and was granted, a two-year variance with respect to the air regulations from GBUAPCD to allow the Department to make repairs to the infrastructure damaged at Owens Lake. See “THE WATER SYSTEM—Origins of the Los Angeles Aqueduct System; Recent Events Affecting the Los Angeles Aqueduct System—Recent Events Affecting the Los Angeles Aqueduct System.”

See “THE WATER SYSTEM—Origins of the Los Angeles Aqueduct System; Recent Events Affecting the Los Angeles Aqueduct System—Recent Events Affecting the Los Angeles Aqueduct System.”

Owens Valley Groundwater Management. As a result of litigation relating to the Department’s extraction of Owens Valley groundwater, an environmental impact report and a long-term groundwater management plan (the “Owens Valley Groundwater Agreement”) were prepared jointly by the Department and Inyo County and approved by the California Court of Appeal in 1991. The Department currently manages its groundwater resources in the Owens Valley in accordance with the Owens Valley Groundwater Agreement. Under the Owens Valley Groundwater Agreement, the Department’s goal is to avoid certain decreases and changes in vegetation and to cause no significant effect on the environment that cannot be acceptably mitigated, while providing a reliable supply of water for export to the City and for use in Inyo County.

Other Environmental Efforts in the Owens Valley; Lower Owens River Project. The Department supplies water to enhancement and mitigation projects as part of its legal obligations in the Owens Valley stemming from the Owens Valley Groundwater Agreement. Currently, the Department is providing approximately 10,000 acre-feet per year of water to various enhancement and mitigation projects throughout Owens Valley. Additionally, approximately 18,000 acre-feet of water is supplied annually to re-water the lower portion of the Owens River (the “Lower Owens River Project”).

Mono Basin. Prior to 1989, the Department exported approximately 95,000 acre-feet per year of water from the Mono Basin to the City, which accounted for approximately 15% of the Water System’s total water supply at that time. In December 1989, the Department stopped exporting water from the Mono Basin as a result of a preliminary injunction issued by the Superior Court of El Dorado County. This injunction ordered the Department to allow a sufficient amount of water to pass the Department’s Mono Basin diversion facilities to restore and maintain the water level of Mono Lake at a temporary minimum elevation of 6,377 feet above mean sea level. In 1994, the State Water Resources Control Board issued the Mono Lake Basin Water Right Decision 1631 (“Decision 1631”) which amended the Department’s licenses by limiting water exports from the Mono Basin based on Mono Lake’s surface elevation.

Based on Decision 1631, water exports from the Mono Basin are limited to 16,000 acre-feet per year until Mono Lake reaches a target surface elevation of 6,391 feet above mean sea level and 4,500 acre-feet per year if the water level in Mono Lake falls below 6,380 feet above mean sea level. If the water level in Mono Lake falls below 6,377 feet above mean sea level, no water can be exported by the Department. As required by Decision 1631, the Department is undertaking certain restoration activities in the Mono Basin including implementing an extensive monitoring program and improving stream conditions, fisheries and waterfowl habitats. As of April 1, 2024, the water level of Mono Lake was 6,383.7 feet above mean sea level, and therefore, Mono Basin water exports for 2024 are expected to be 16,000 acre-feet. If the

elevation of Mono Lake reaches 6,391 feet above mean sea level, a moderate increase in water exports from the Mono Basin above the 16,000 acre-feet limit will be permitted pursuant to Decision 1631. Since the issuance of Decision 1631, on average, approximately 74,000 acre-feet per year of Department water, which otherwise would have been exported to the City, has been allowed to remain in Mono Basin for environmental restoration.

After several years of negotiations, in August 2013, the Board approved a settlement agreement (the “2013 Mono Basin Settlement Agreement”) between the Department and certain stakeholders associated with Mono Basin with respect to certain water rights issues related to instream flow requirements mandated by Decision 1631 and its related orders. The 2013 Mono Basin Settlement Agreement includes, among other actions agreed to by the parties, the Department upgrading the Grant Lake Reservoir Dam (the Department will upgrade the spillway to allow water to be passed downstream) and the parties implementing an extensive water monitoring program. The upgrades to the Grant Lake Reservoir Dam are currently estimated to cost approximately \$55 million.

Other Eastern Sierra Uses. The Department also provides water for other uses in Long Valley and the Owens Valley, including for irrigation, stockwater, fish hatcheries, wildlife and recreational purposes, as well as dust mitigation at Owens Lake. Currently, the Department is providing approximately 170,000 acre-feet per year of water for these purposes.

Groundwater System Challenges and Remediation Efforts

The San Fernando Basin provides over 80% of the Department’s total groundwater supply. The San Fernando Basin also is an established EPA Superfund Cleanup Site. Superfund is the primary federal government program to clean up uncontrolled hazardous waste sites in the United States. An EPA Superfund Cleanup Site is any land in the United States that has been contaminated by hazardous waste and identified by the EPA as a candidate for clean-up because it poses a risk to human health or the environment or both. Water quality challenges resulting from the presence and spread of various contaminants including TCE, PCE and other emerging contaminants of concern, including hexavalent chromium (commonly referred to as “Chromium 6”) and 1,4-Dioxane, limit the Department’s ability to optimize the use of groundwater from the San Fernando Basin and may pose a risk to future supplies. The Department believes that if effective remediation and cleanup measures are not put in place, the various contaminants found in the San Fernando Basin will ultimately present a threat to this important component of the City’s drinking water supply. If all groundwater in the San Fernando Basin were lost to contamination, the replacement cost would be approximately \$78 million per year (based on average annual water right entitlements of 87,000 acre-feet per year and the current cost of purchasing Tier 1 untreated water from Metropolitan). The Department is working with the EPA, the Los Angeles Regional Water Quality Control Board, the Division of Drinking Water of the State Water Resources Control Board (the “Division of Drinking Water”) and the California Department of Toxic Substances Control to monitor and detect contamination and to implement a comprehensive remediation process to address groundwater contamination in the San Fernando Basin.

North Hollywood Operable Unit. The North Hollywood Operable Unit First Interim Remedy (the “NHOU-1IR”), located in the North Hollywood Well Field in the San Fernando Basin, was completed in December 1989 to contain the contamination from the Honeywell International, Inc. (formerly Bendix), Lockheed Martin Corporation (“Lockheed”) and other potentially responsible parties (the “PRPs”) facilities and properties. The NHOU-1IR was designed to extract up to 2,000 gallons per minute of groundwater and remove TCE and PCE from the upper zone of the San Fernando Basin in the North Hollywood area of Los Angeles County prior to treatment and disinfection for potable use by the City. TCE and PCE are removed from contaminated groundwater by utilizing an aeration facility. The EPA financed a major portion of the capital costs for the NHOU-1IR and, since 2015, has annually paid 100% of the operating and maintenance costs. The EPA is then reimbursed by the PRPs. The NHOU-1IR was designed to focus on the most

concentrated part of the contamination plume. However, in 2005, it was determined by the EPA that NHOU-1IR was not able to fully contain the contamination and the plume continued to migrate towards more of the Department's production wells. The Department is currently working with the EPA on the design of a new operable unit known as the North Hollywood Operable Unit Second Interim Remedy (the "NHOU-2IR") that will better contain the higher concentration of contamination plumes. The NHOU-2IR also will be designed to treat other contaminants of concern, including Chromium 6 and 1,4-Dioxane that have been detected. The total treatment capacity of NHOU-2IR will be approximately 8,500 acre-feet per year. [The initial phase of the NHOU-2IR is expected to be operational by the fall of 2024]. The final phase of the facility is pending EPA issuing a consent decree. The NHOU-2IR is to be fully designed, constructed and financed by the PRPs. All costs associated with the operation and maintenance of the NHOU-2IR will be paid by the PRPs.

In October 2018, the Department and Lockheed entered into a Settlement and Release Agreement (the "Lockheed Settlement Agreement"), pursuant to which Lockheed, among other things, agreed to have an average of 4,670 acre-feet of treated water (meeting applicable drinking water standards) per year provided to the Water System. Lockheed has agreed to assist in conveying groundwater from the North Hollywood Well Field – East Branch to a treatment facility owned and operated by the City of Burbank (the "Burbank Operable Unit"). Once the water is treated at the Burbank Operable Unit, the water will be conveyed to the Water System's distribution system. Under the Lockheed Settlement Agreement, Lockheed will be obligated to provide this water to the Water System until such time as the EPA determines that Lockheed is no longer a PRP with respect to the North Hollywood Well Field in the San Fernando Basin.

Pollock Wells Treatment Plant. The Pollock Wells Treatment Plant was completed and placed into operation in March 1999. The facility can treat up to 3,000 gallons per minute of groundwater from the Pollock Wells.

Chromium 6 Issues. The situation in the San Fernando Basin has been complicated by the detection of high levels of Chromium 6 in two of the seven NHOU-1IR extraction wells (NHOU-1IR Extraction Wells No. 2 and 3). In February 2007, the Department voluntarily shut down NHOU-1IR Extraction Well No. 2 due to elevated total Chromium and Chromium 6 concentration levels (206 parts per billion and 199 parts per billion, respectively), and removed the well from the water treatment system and in March 2013, the Department notified the Los Angeles Regional Water Quality Control Board and the EPA that it had shut down NHOU-1IR Extraction Well No. 3 due to elevated total Chromium and Chromium 6 concentration levels (168 parts per billion and 163 parts per billion, respectively). The shutdown of NHOU-1IR Extraction Wells No. 2 and 3 has reduced the available groundwater for the "pump-and-treat" system, which are an integral part of the Water System, and the containment of contaminated groundwater. As described above, the NHOU-2IR is designed to treat Chromium 6, in addition to TCE, PCE, and 1,4 Dioxane.

At high concentrations, Chromium 6 has been known to cause cancer when inhaled and also has been linked to cancer when ingested. In July 2014, the Division of Drinking Water issued its final maximum contaminant level for Chromium 6 of 10 parts per billion, but that level was later invalidated by a court. On April 17, 2024, the State Water Resources Control Board adopted new regulations that limit Chromium 6 levels in the State's drinking water to 10 parts per billion. Currently, the federal government does not specifically regulate Chromium 6; it regulates total Chromium (which includes Chromium 6 and Chromium 3 (which is harmless and actually a required nutrient)). The treatment plants funded primarily by the EPA, including the NHOU-1IR, to address the TCE and PCE contaminants in the San Fernando Basin are not designed to remove Chromium 6 from the water. The Department cannot predict the cost of treating water affected by Chromium 6 under the new regulations adopted by the State Water Resources Control Board.

Tujunga Temporary Groundwater Treatment Plant - Pilot Study. The Department operated a pilot liquid-phase granular activated carbon facility for the removal of volatile organic contaminants from two of the production wells in the Tujunga Well Field, located in the San Fernando Basin. The pilot facility was used to extract, remove and treat approximately 8,000 gallons-per-minute of groundwater for potable use by the City. The pilot facility started delivering treated water into the distribution system in May 2010. This pilot study was a joint project with Metropolitan to employ innovative treatment technologies to recover use of contaminated production wells. The total capital cost for this project was \$7.5 million. The pilot study was used to successfully contain the plume and removed TCE and PCE contaminants within the well field, allowing more wells to be operated. The pilot facility was last utilized during the summer of 2022. The temporary treatment facility is being replaced by a permanent groundwater remediation facility for the Tujunga Well Field. The permanent facility is currently being constructed and is scheduled to be operational by late 2024. The new facility also will treat 1,4-dioxane.

Groundwater System Improvements. In February 2009, the Department awarded a six-year, \$11.5-million contract to an engineering consulting firm to conduct a groundwater system improvement study (the “Groundwater Study”) for the San Fernando Basin. The objective of the Groundwater Study was to provide short- and long-term solutions for remediation, containment, cleanup and removal of contaminated groundwater in the San Fernando Basin for environmental and public benefits, as well as the prevention of further loss of this groundwater resource. Completed in 2015, the Groundwater Study has enabled the Department to assess the extent of the groundwater contamination and provide recommendations on effective remediation and cleanup technologies for removal of contaminants from the groundwater. As part of the Groundwater Study, the Department installed additional monitoring wells to collect information that will enable the Department to validate and characterize the San Fernando Basin groundwater quality.

Remedial Investigation of the Southern San Fernando Basin Well Fields. As recommended by the Groundwater Study, the Department is conducting a remedial investigation of the Southern San Fernando Basin Well Fields in accordance with the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the National Oil and Hazardous Substances Pollution Contingency Plan (the “NCP”), and EPA guidance. The southern well fields are Erwin, Verdugo, Whitnall, Headworks, and Pollock. The presence of untreated hazardous substances poses a threat to public health, and impairs both the Department’s ability to fully utilize its water rights in a flexible manner and its plans to increase use of the San Fernando Basin for storage and conjunctive use. The remedial investigation will characterize the nature and extent of contamination and evaluate potential public health and environmental threats posed by the release of hazardous substances, consistent with the NCP. The remedial investigation will be partially funded through Proposition 1, up to a \$2 million grant issued by the State Water Resources Control Board. Following the remedial investigations, the Department may then conduct one or more feasibility studies to identify preferred interim remedial alternative(s) to respond to such releases, if it is anticipated that such releases pose an unacceptable risk.

California Safe Drinking Water Act of 1996

The California Safe Drinking Water Act of 1996 introduced recommended Public Health Goals to drinking water regulations, which represent non-mandatory goals based solely on public health considerations (without consideration of occurrence, technical feasibility or cost) developed on the basis of the best available health effects data in current scientific literature. Public Health Goals, established by the Office of Environmental Health Hazard Assessment of the California Environmental Protection Agency are analogous to the federal maximum contaminant level goals. Every three years, water agencies must prepare a Public Health Goals Report that discusses how closely the water served meets the State Public Health Goals and the federal maximum contaminant level goals. For contaminants that are above their respective Public Health Goals, the water agency must present the known health effects and estimate the cost to treat the water to achieve the applicable Public Health Goals. The Department issued its most recent

Public Health Goals Report in July 2022. The report estimated that it would cost approximately \$6.3 billion to meet all of the recommended Public Health Goals. The Department includes both Public Health Goals and maximum contaminant level goals in its annual “LA’s Drinking Water Quality Report” (also known as a Consumer Confidence Report), which is required by State and federal drinking water regulations.

Federal Safe Drinking Water Act Amendments of 1996

The federal Safe Drinking Water Act Amendments of 1996 require all public water systems to prepare an annual Consumer Confidence Report that describes in plain language the Department’s water quality and relevant health information. The EPA grants the State “primacy” to enforce all federal drinking water regulations as long as the state standards are not less stringent than federal standards. California has required similar reporting since 1989, and the Department complied with the State requirements by including an annual water quality report insert with customers’ water bills. Additional federal requirements for specific mandatory content in the Consumer Confidence Report meant the Department could no longer fit the content into a bill insert format. To comply with the requirements of the federal regulations, the Department previously provided a separate report that was mailed directly to all Department customers annually. In 2014, the EPA no longer required water agencies to mail the report directly to all customers. The Department now notifies all customers of the availability of the report via their bill and through e-mail notifications and posts the report on its website. The 2021 electronic report was made available to customers on June 30, 2022. Printed copies are available to customers on request.

Surface Water Treatment

1989 Surface Water Treatment Rule. The Federal Surface Water Treatment Rule, issued by the EPA in 1989 under the Safe Drinking Water Act Amendments of 1986 (the “Federal Surface Water Treatment Rule”), established specific treatment requirements as an alternative to numerical drinking water standards for several microbiological contaminants commonly found in surface water. The Federal Surface Water Treatment Rule requires the Department to filter and disinfect its Los Angeles Aqueduct surface water supply, and any open distribution reservoir vulnerable to contamination by storm water runoff. The Filtration Plant met the requirements for the Federal Surface Water Treatment Rule for the Los Angeles Aqueduct supply. However, the Department operated 10 open distribution reservoirs, four of which were vulnerable to storm water runoff (Upper and Lower Hollywood, Lower Stone Canyon and Encino reservoirs) and currently complies with all applicable requirements of the Federal Surface Water Treatment Rule.

Subsequent Surface Water Treatment Rules. The EPA continued to refine the Federal Surface Water Treatment Rule by issuing several subsequent regulations including the Enhanced Surface Water Treatment Rule, the Long Term 1 Enhanced Surface Water Treatment Rule, the Backwash Rule and most recently the Long Term 2 Enhanced Surface Water Treatment Rule promulgated by the EPA in January 2006 pursuant to the Safe Drinking Water Act Amendments of 1996. The Long Term 2 Enhanced Surface Water Treatment Rule requires all open distribution reservoirs not addressed by the previous rules to be covered, treated or removed from service. The State Waterworks Standard further requires all distribution reservoirs to be covered. However, the Department’s open distribution reservoirs were exempted from the State Waterworks Standard because they were in existence prior to the 1974 requirement.

The Long Term 2 Enhanced Surface Water Treatment Rule affects the Department’s six remaining open reservoirs: the Los Angeles Reservoir, the Santa Ynez Reservoir, the Silver Lake Reservoir, the Upper Stone Canyon Reservoir, the Ivanhoe Reservoir and the Elysian Reservoir. To comply with the Long Term 2 Enhanced Surface Water Treatment Rule, the Department negotiated a compliance agreement with the Division of Drinking Water because compliance with the Long Term 2 Enhanced Surface Water Treatment Rule could not be achieved by the regulatory deadline of April 2009. The second compliance agreement

was approved by the Department and the Division of Drinking Water in March 2009. Compliance with the Long Term 2 Enhanced Surface Water Treatment Rule has been a primary focus of the Department's Water System capital improvement program for the past decade. The final facilities required to be constructed by the Department in connection with the Long Term 2 Enhanced Surface Water Treatment Rule were completed in January 2022. See "WATER SYSTEM INFRASTRUCTURE PROGRAM—Projected Capital Improvements."

Disinfection Byproduct Rule

Pathogens, such as *Giardia* and *Cryptosporidium*, are often found in surface water, and can cause gastrointestinal illness and other health risks. In many cases, water must be disinfected to inactivate (or kill) these microbial pathogens. However, disinfectants like chlorine and ozone can react with naturally occurring materials in the water to form byproducts such as, trihalomethanes, haloacetic acids, chlorite and bromate. These byproducts, if consumed in excess of the EPA's standard over many years, may lead to increased health risks. The EPA issued the Stage 2 Disinfection Byproduct Rule to further protect public health by limiting exposure to these disinfectant byproducts. As of April 2014, the Department had complied with the EPA Stage 2 Disinfection Byproduct Rule, with the installation of a UV treatment facility, the addition of shade balls on the reservoirs, and the addition of treatment facilities to convert the distribution system from chlorine to chloramine. Since the Water System conversion to chloramine in May 2014, the existence of disinfection byproducts in the Water System has been reduced by more than 50%. See "THE WATER SYSTEM—Water Treatment Facilities—Disinfection."

Lead and Copper Rule

Corrosion control strategies have been developed in response to federal regulations related to the control of lead and copper in drinking water (the "Lead and Copper Rule"). In 1992, 2003, 2006, 2009, 2012, 2015, 2017, 2018, 2019, 2020 and 2023 at-the-tap monitoring of customer homes for the presence of lead and copper was conducted in the City. The 2023 at-the-tap monitoring of customer homes demonstrated that the Department was in compliance with the federal action levels for both lead and copper. Although the Department has remained in compliance with the at-the-tap federal action levels in the City since 1992, the regulation nonetheless requires large water agencies like the Department to implement optimized corrosion control treatment to further reduce the corrosivity of tap water and the subsequent leaching of lead and copper from home plumbing. In 2022, the Division of Drinking Water confirmed that the Department is fully optimized in meeting the Lead and Copper Rule and set an optimal water quality parameter for pH. The Department will continue its Corrosion Control Program and monitor for lead and copper to protect public health.

On December 22, 2020, the EPA released revisions to the Lead and Copper Rule and on December 16, 2021, the EPA finalized these revisions. [The revisions will require, among other things, utilities to inventory all service lines, including customer service lines for potential lead content. The assessment of the Department's customer service lines is in progress and is expected to be completed by October 2024.] Under California State requirements, the Department previously concluded that there are no lead service lines on the utility side of the distribution system. This rule also requires water quality testing for lead and copper in schools (Grades K-12) and licensed childcare facilities. The revisions also required improved risk communication with customers. Because of the construction methods and materials utilized in the City, the revisions are not expected to result in significant financial risk to the Department.

On November 30, 2023, the EPA announced proposed Lead and Copper Rule Improvements ("LCRI") to significantly reduce exposure to lead through drinking water. A key provision of the proposal includes achieving 100% lead pipe replacement within 10 years. [The EPA accepted comments to the LCRI through the end of January 2024, and expects to finalize the LCRI prior to October 16, 2024.] As of the

date of this Official Statement, the Department cannot predict the final form of the LCRI or what the cost to the Department would be to comply with the LCRI; however, the Department does not expect the LCRI to have a significant financial impact on the Department.

Fluoride

In October 1995, California State Assembly Bill No. 773 became law and required water agencies serving more than 10,000 people to add fluoride to the water supply if funding became available. In the same year, the City Council adopted a resolution endorsing optimized fluoride levels in the Department's water supply. The Board approved water fluoridation for the City. The Water System began water fluoridation treatment in August 1999. All of the Department's customers receive water with the optimum level of fluoride as recommended by State and federal health officials (including the revised optimum levels released by the U.S. Centers for Disease Control and Prevention in 2015). In October 2007, Metropolitan began adding fluoride to treated water, which eliminated the Department's need to fluoridate Metropolitan sources that supplement the City's supplies.

Radon

The EPA first proposed regulations to protect people from exposure to radon in 1998 (the "Radon Rule"). The framework for the latest proposed Radon Rule is set forth in the Safe Drinking Water Act Amendments of 1996, which proposes a multimedia approach to address the public health risks from radon in drinking water and radon in indoor air from all sources. The costs of compliance that limits radon in water will depend on the final Radon Rule. The Radon Rule proposed two standards: a maximum contaminant level of 300 picoCuries/liter ("pCi/L") in water or an alternative maximum contaminant level of 4,000 pCi/L along with an approved multimedia mitigation program, that would focus on controlling radon in indoor environments. Natural levels of radon in water in local and Owens Valley wells range from 400 - 2,500 pCi/L. At a 300 pCi/L level, treatment would be required for Owens Valley township wells, and may be necessary for San Fernando Basin wells and for some Central Basin wells. The Department estimates that the costs for in-City compliance would be approximately \$10 million, excluding land purchases for facility siting. The final Radon Rule was expected to be promulgated in 2002 but has been delayed indefinitely.

Ground Water Rule

The EPA's Groundwater Rule ("GWR"), issued pursuant to the Safe Drinking Water Act Amendments of 1996, is the complement to the Federal Surface Water Treatment Rule. The GWR establishes a risk-targeted approach to identify groundwater systems susceptible to contamination, establishes disinfection treatment requirements for drinking water supply wells, and delineates vulnerable recharge areas surrounding such wells. The disinfection and monitoring requirements of the GWR depend on the vulnerability of each individual well to bacteria and viruses. The GWR grants considerable discretion to states regarding implementation. The California Department of Public Health GWR requirements became effective in December 2009. All California water purveyors must demonstrate adequate disinfection treatment for bacteria and viruses or develop a monitoring plan that must be approved by the Division of Drinking Water. All City water supplies and Owens Valley townships wells have been disinfected with chlorine since the early 1930s. The Department's groundwater sources are relatively free of bacterial contamination based on monthly source monitoring. Additionally, the Department already provides the level of disinfection required by the GWR for all non-emergency groundwater sources, and is in compliance with the GWR without the need for additional capital improvements.

Drinking Water Source Assessment Program

The EPA's Drinking Water Source Assessment Program, part of the Safe Drinking Water Act Amendments of 1996, requires utilities to conduct sanitary surveys (or update existing surveys) for surface water sources, to conduct source assessment surveys for ground water sources, and to identify and categorize potential risks of contamination to each source of supply. The Department's Watershed Sanitary Survey Report that was completed in 2019 makes recommendations to improve the watershed management programs for Lower Stone Canyon. Groundwater assessments are used to implement wellhead protection measures to protect ground water sources from contamination. The Department conducted groundwater source assessments in 2002 for each of its in-City well fields. More recently, the Department conducted a comprehensive source assessment in the San Fernando Basin to develop a comprehensive groundwater treatment plan to address local contamination in the San Fernando Basin. See —Groundwater System Challenges and Remediation Efforts" above. Future regulations may require additional protective measures.

Potential Issues Relating to Water Quality

The State utilizes two separate contaminant definitions; notification levels ("NL") and response levels ("RL"), both of which address unregulated contaminants that may be of future regulatory consideration. The NL is the level above which a water agency must inform their governance of the finding of an unregulated contaminant in their source water, while the RL is the level above which the water agency must take action to reduce an unregulated contaminant's presence in the water supply. NLs and RLs are not enforceable standards, but influence the Department's use of some water sources.

Another challenge to the Department and to water quality is the increase in the percentage of State Water Project water that supplements the Los Angeles Aqueduct supply and that is treated at the Filtration Plant. The composition of natural occurring contaminants and organic carbon matter in both of these source waters varies considerably and thereby presents separate challenges to water quality compliance, especially in the area of disinfection by-products. The Department is evaluating the addition of enhanced coagulation as pre-treatment to the Filtration Plant treatment process, to minimize organic carbon, turbidity and arsenic in these source waters. Fairmont Reservoir No. 2 along the Los Angeles Aqueduct has been selected as a site for additional pre-treatment of State Water Project water and Los Angeles Aqueduct water. The design of the Fairmont Sedimentation Plant Project has begun and is expected to be in service by 2030.

Future revisions to drinking water standards may impact the type and quality of treatment necessary for the continued use of the Department's local and imported supplies. Major areas of focus with emerging contaminants are Cyanotoxins, endocrine disrupting compounds ("EDCs"), pharmaceuticals and personal care products ("PPCPs"), microplastics and per- and polyfluoroalkyl substances ("PFAS"). These groups of constituents are an evolving concern, especially in the arid Southwest regions of the United States, where water agencies are looking to augment their water supplies with non-traditional sources, including recycled water.

On March 14, 2023, the EPA released its proposed "National Primary Drinking Water Regulation" for six PFAS including perfluorooctanoic acid (PFOA), perfluorooctane sulfonic acid (PFOS), perfluorononanoic acid (PFNA), hexafluoropropylene oxide dimer acid (HFPO-DA, commonly known as GenX Chemicals), perfluorohexane sulfonic acid (PFHxS), and perfluorobutane sulfonic acid (PFBS). The new regulation will set maximum allowable levels of these chemicals in drinking water. On April 10, 2024, the EPA released its final regulation. The regulation will not be effective until April 2029. Based on the Department's water quality data and test results for PFAS, the Department does not expect this new regulation to have a significant impact on its water treatment and distribution systems. However, this new

regulation may result in requiring additional treatment at some of the Department's Well Fields, which may result in an increase in capital and operating costs.

The Department began testing for PFAS in Fiscal Year 2013-14 and has continued to monitor its local groundwater sources for PFAS compounds. PFAS has been detected in individual wells, but water from individual wells is blended with large volumes of surface water and other sources before entering the distribution system. Blending is an allowable treatment response under the current California regulations.

The Department is committed to replenishing its groundwater basin with treated recycled water, and the removal of EDCs, PPCPs, microplastics and PFAS will be an integral part of the Department's water treatment processes.

Additionally, customer expectations of improvements in the aesthetic quality of tap water remain high. Efforts are continuing to maintain the high quality of water throughout the distribution system. Progress continues with covering or by-passing the remaining one uncovered in-City reservoir and eliminating sources of water quality degradation within the distribution system. On-going measures to improve water quality include elimination of low-pressure water mains, implementation of corrosion control measures, management of contaminant plumes in the San Fernando Basin, installation of lead-free residential water meters and renewal and rehabilitation of older distribution mains.

Security

In response to increased security concerns, the Department has augmented its distribution system water quality monitoring program with specialized water security monitoring and surveillance. The Department is researching and evaluating the practicality and reliability of real-time, on-line water quality monitoring. Early warning monitoring systems are also being evaluated. Notwithstanding these measures, no assurances can be made that a terrorist attack (domestic or foreign) will not occur at a Department facility, on Department resources or within the State. The Department is unable to determine the effects of any such attack. See "CERTAIN INVESTMENT CONSIDERATIONS—Risks Relating to the Water Supply and the Sufficiency of Water Supply—Security of the Water System.

CERTAIN INVESTMENT CONSIDERATIONS

The ability of the Department to pay principal of and interest on the Series A Bonds depends primarily upon the receipt by the Department of revenues from the Water System. Some of the events which could prevent the Department from receiving a sufficient amount of revenues to enable it to pay the principal of and interest on the Series A Bonds are summarized below. The following description of investment considerations is not intended to be an exhaustive list associated with the purchase of the Series A Bonds and the order of the investment considerations set forth below does not necessarily reflect the relative importance of the various risks.

Special Obligations

The Series A Bonds will be special obligations of the Department payable only from the Water Revenue Fund, and not out of any other fund or moneys of the Department or the City. The Series A Bonds will not constitute or evidence an indebtedness of the City or a lien or charge on any property nor on the general revenues of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the Series A Bonds.

No assurance can be made that revenues of the Water System, estimated or otherwise, will be realized by the Department in amounts sufficient to pay the principal of and interest on the Series A Bonds.

Among other matters, drought, above-normal levels of precipitation, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of revenues realized by the Department. In addition, the realization of future revenues is subject to, among other things, the capabilities of management of the Department, the ability of the Department to provide water to its customers, and the ability of the Department to establish, maintain and collect rates and charges sufficient to pay the operation and maintenance expenses of the Water System and the principal of and interest on the Series A Bonds. See “WATER RATES” herein.

Costs of Capital Improvement Program; Increased Water Rates

As described herein, between Fiscal Years 2024-25 and 2028-29, the Department’s expected capital improvement program for the Water System is currently estimated to cost approximately \$7.0 billion. The actual cost of constructing the various components of the capital improvements to the Water System will depend on a variety of factors, including but not limited to potential rising costs or shortages of labor or materials, the discovery of unforeseen subsurface conditions, earthquake, flood or other natural disasters, severe weather conditions, access to the financial markets or other events outside of the control of the Department. There can be no assurance that costs for construction of the capital improvements to the Water System will not significantly exceed the amounts projected by the Department.

The Department estimates that up to approximately 69% of the costs of the capital improvement program between Fiscal Years 2024-25 and 2028-29 would be funded with external financing, including previously issued Bonds and Additional Parity Obligations (consisting of additional Water System Revenue Bonds and additional loans from the State Water Resources Control Board) and additional Proposition 1 grants. The costs of the capital improvement program will require an increase in Water Rates in order to pay for the capital improvement program, including the payment of debt service on the Additional Parity Obligations expected to be issued in the future to fund the capital improvement program. Failure to institute timely rate increases could adversely affect the Department’s ability to fully complete the capital improvement program, including the projects necessary to comply with federal and State water quality mandates. Additionally, any rate increases could increase the likelihood of nonpayment by purchasers of water from the Department and could also decrease demand from such purchasers. As described in more detail under “WATER RATES,” on March 15, 2016, the City Council approved the current Water Rate Ordinance, which among other things, increased Water Rates in order for the Department to pay for a portion of the projects in the capital improvement program.

Further, although the Department has covenanted to fix rates, subject to the approval of the City Council, for service from the Water System, and collect charges for such service, such as to provide revenues that, together with the other available funds of the Department, will be at least sufficient to pay, as the same become due, the principal of and interest on the Outstanding Bonds (including the Series A Bonds) and all other outstanding bonds, notes, and other evidences of indebtedness payable out of the Water Revenue Fund, in addition to paying, as the same become due, the necessary expenses of operating and maintaining the Water System and all other obligations and indebtedness payable out of the Water Revenue Fund, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to pay the principal of and interest on the Bonds, including the Series A Bonds.

Rate-Setting Process Under Proposition 218; Other Voter Initiatives

Proposition 218. Proposition 218, which added Articles XIIC and XIID to the State Constitution, affects the Department’s ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the Department might thereafter be unable to generate sufficient revenues to

pay the principal and interest on the Bonds, including the Series A Bonds. See “WATER RATES—Procedures for Changes to the Water Rate Ordinance—Proposition 218” herein.

Notwithstanding the foregoing, the Department has covenanted to fix rates and collect charges for water service at a level at least sufficient to meet its debt requirements and to pay the expenses of operating and maintaining the Water System, as set forth under “SOURCE OF PAYMENT—Rate Covenant” herein. The Water Rates set forth in the current Water Rate Ordinance are being imposed in compliance with Proposition 218.

See “LITIGATION—Water Rates Litigation” for a discussion of lawsuits filed by certain ratepayers of the Department that allege, among other things, that the Water Rates currently charged under the Water Rate Ordinance are unconstitutional and violate Proposition 218.

Other Voter Initiatives. Articles XIIC and XIID to the State Constitution were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time, including presently, other initiatives have been, and could be, proposed, and if qualified for the ballot and approved by voters, could affect the Department, the Water System or the revenues of the Water System. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the Department.

Statutory and Regulatory Compliance

Laws and regulations governing treatment and delivery of drinking water are enacted and promulgated by federal, state and local government agencies. Compliance with laws and regulations governing the treatment and delivery of drinking water may be costly, and, as more stringent standards may be enacted to protect the environment and water quality, these costs will likely increase. Existing conditions, as well as anticipated regulatory requirements, could require significant increases in capital and/or operating costs of the Water System.

Claims against the Water System for failure to comply with applicable laws and regulations could be significant. Such claims are payable from the Water Revenue Fund. In addition to claims by private parties, changes in the scope and standards for public agency water systems such as that operated by the Department may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs payable from the Water Revenue Fund. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the Water System to generate revenues sufficient to pay the principal and interest on the Bonds, including the Series A Bonds. See “FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY” herein.

Risks Relating to the Water Supply and Sufficiency of Water Supply

The Department’s water supply and the cost thereof are affected by many factors, including but not limited to annual snowpack and rainfall, population growth, water use, groundwater basin quality and recharge trends, federal and State environmental rules and regulations, environmental restoration commitments, water quality, climate change, and area of origin issues. Sustained drought conditions or continued low water levels could adversely affect the Department’s water supply, impact operational expenses of the Water System and demand for water services from the Water System. Additionally, any natural disaster or other physical calamity, including acts of terrorism, earthquake, earth movements, floods, extreme weather or gradual climate change, may have the effect of reducing water availability, quality and/or distribution capabilities of the Department, impair the financial stability of the Department, affect

infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements.

Drought Risks. The ability of the Water System to operate effectively is affected by the water supply available to the City, which is situated in a semi-arid environment. The Department performs an annual water supply and demand assessment to identify potential water supply shortages, and if such assessment determines that there is the potential for a water shortage, the Department adopts appropriate shortage response actions as outlined in the Department's Water Shortage Contingency Plan. If the water supply decreases significantly, whether by drought, operation of mandatory supply restrictions, prohibitively high water costs or otherwise, Water System sales will diminish and revenues available to pay the debt service on the Bonds, including the Series A Bonds, may be adversely affected. While the Department has plans and manages reserve supplies to account for normal occurrences of drought conditions, between early Fiscal Year 2012 and late Fiscal Year 2016 and early 2020 and late 2022, the State experienced two of the worst droughts in recorded State history, which severely restricted water supplies to Southern California. Additionally, water supplied to the Water System is being affected by environmental issues in the Owens Valley, the Mono Basin and the Bay-Delta. See "WATER SUPPLY."

As discussed in more detail under "WATER SUPPLY—Water Conservation Actions Taken in Response to Droughts; Water Rate Adjustments During Droughts," as a result of the 2012-16 Drought and the 2020-22 Drought, the State (including the Governor and the Department of Water Resources), Metropolitan and the City took, and continue to take, numerous actions to mitigate the effects of drought, including, among others, implementing conservation and water restriction programs. Reduced water usage by the customers of the Department resulted and will result in reduced Water System revenues, however, such revenue reductions were and will be partially offset by a reduction in operating expenses as a result of less water having to be purchased from Metropolitan. Additionally, the existing water rate structure contains several elements available to the Department that help assure financial stability in the event of decreasing sales of water, including, among other elements, the Base Rate Revenue Target Adjustment factor, which provides for the recovery of a specified amount of base rate revenue (essentially consistent with budgeted base rate revenue) on an annual basis.

Future droughts and any related emergency declarations could result in mandatorily enforced conservation measures and other mitigations that could have a material adverse impact on Department revenues available to pay the debt service on the Bonds, including the Series A Bonds.

Reliance on Water Purchased from Metropolitan. On average, over the five Fiscal Years ended June 30, 2024, approximately [●]% of the Department's water supply was derived from purchases of water from Metropolitan. As a result of reduced water deliveries from the Los Angeles Aqueduct caused by the 2020-22 Drought, during Fiscal Years 2020-21 and 2021-22, the Department's water supply provided by purchases of water from Metropolitan were approximately 62% and 73%. During Fiscal Years 2019-20 and 2020-21, the Department's water supply provided by purchases of water from Metropolitan was [□]% and [□]%, respectively. If the Department's reliance on water purchased from Metropolitan increases, its expenses with respect to purchased water increases. Additionally, any material reductions in the amount of water available to be purchased from Metropolitan could adversely affect the operations and finances of the Water System. In March 2022, the Department of Water Resources announced that for 2022 it would reduce allocations to only 5% of the water requested by the State Water Project contractors (including Metropolitan), as well as any unmet critical health and safety needs of the State Water Project contractors. During 2022, the Department was overly-reliant on critical health and safety water supplies from the Department of Water Resources due to deficiencies in Metropolitan's infrastructure and its inability to convey Colorado River Basin water to portions of the Department's service area. [The Department is in ongoing discussions with Metropolitan to resolve these infrastructure conveyance deficiencies.] The Colorado River Basin (Metropolitan's other main source of water) also is experiencing an extended drought

and deliveries of water from the Colorado River during 2024 will be voluntarily reduced for certain users of Colorado River water. However, because of its priority rights, Metropolitan expects to receive sufficient water supplies from the Colorado River in 2024.] Continued drought and overallocations in the Colorado River Basin could result in reduced future deliveries of Colorado River water to Metropolitan. In the near-term, the Department expects to continue to purchase, on average, approximately 50% of its water supply requirements from Metropolitan. See “Specific Environmental Rules Affecting the Water System” below. See also “WATER SUPPLY—The Metropolitan Water District of Southern California,” “WATER SUPPLY—Water Conservation Actions Taken in Response to Droughts; Water Rate Adjustments During Droughts” and “WATER SUPPLY—Meeting Future Customer Needs—Projected Supply and Demand.”

Specific Environmental Rules Affecting the Water System. Various federal and State rules and regulations and court decisions have affected and will continue to affect the amount of water available to the Department. See “FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY” for a discussion of some of the rules, regulations and court decisions that limit the amount of water available to the Department from the Owens Valley, the Mono Basin and the San Fernando Basin. Additionally, recent federal and State court decisions and environmental regulations have severely restricted the amount of water that may be delivered by Metropolitan to the Department from the Bay-Delta. Operational constraints in the Bay-Delta likely will continue until a long-term solution to the problems in the Bay-Delta is identified and implemented. The Department cannot predict if future federal and State rules and regulations will be enacted or if future court decisions will be decided that further restrict water deliveries to the Department and what affect such reduced water deliveries may have on the operations and finances of the Water System.

Climate Change. One of the factors that may pose a risk to the future availability of water in the City is climate change. Increased hydrologic extremes from climate change could stress existing infrastructure capabilities and rising temperatures could result in earlier runoff and cause California’s rivers to carry a heavier flow of water. This could possibly trigger floods which would place pressure on California levees. Such conditions, particularly in the Bay-Delta region, may lead to the failure of levees and consequently the disruption of water flow throughout California’s various water systems. Rising temperatures may also result in decreased precipitation levels that could amplify the effects of drought conditions on water supply. Rising temperatures may also cause a reduction in the Sierra Nevada snowmelt, a major source of water in California, and may result in reduced water deliveries.

To address the possible challenges posed by climate change on the Los Angeles Aqueduct, the Department completed a climate change study in 2011 that evaluated the potential impacts of climate change on the Eastern Sierra Nevada watershed and the Los Angeles Aqueduct water supply and deliveries, and investigated opportunities to improve the system as a result of these impacts through the remainder of the 21st century. Results of the study showed steady temperature increases throughout the 21st century and were consistent with other prior studies performed in the scientific community. In 2020, the Department completed a climate study update to analyze potential changes since the 2011 study was completed. Results of the 2020 climate study update were similar to the 2011 climate study. The 2020 climate study is currently in the process of additional refinement. While the Department continues to better understand the potential impact that climate change may have on the City’s water supply, efforts are underway to enhance both local water resources and efficient water management strategies, such as the coordination of the use of surface water and groundwater, to ensure a reliable water supply for the City.

Above-Normal Precipitation. Just as too little water can negatively affect the revenues of the Water System, above-normal precipitation also can negatively affect the revenues of the Water System. Historically, in years where the City receives above-normal levels of precipitation, the residents of the City purchase comparatively less water than in years with normal levels of precipitation, which can lead to reduced Water System revenues.

Seismic Activity. Several major active and potentially damaging faults underlie the City as well as the Owens Valley and the Mono Basin. The Los Angeles Aqueduct, which provides a significant amount of the City's water supply by conveying water from the Owens Valley and Mono Basin watersheds, crosses several major active faults that could generate large earthquakes, including the San Andreas, Garlock and Owens Valley Faults. The Department also receives water supplies from Metropolitan via the California Aqueduct and the Colorado River Aqueduct. Major portions of the California Aqueduct, the Colorado River Aqueduct and Metropolitan's internal supply system are located near major earthquake faults, including the San Andreas Fault. A significant seismic event on any of these faults could damage aqueducts and supply lines sufficiently to disrupt water delivery to the Department, potentially resulting in lower revenues.

In the case of the San Andreas Fault, the Los Angeles Aqueduct crosses the fault zone through one tunnel, which is known as the Elizabeth Tunnel. A magnitude 7.8 to 8.0 earthquake on the San Andreas Fault has been projected to cause lateral offset of 20 feet or more, thereby potentially cutting off the flow of all Owens Valley water to the City. Steps to implement a real-time monitoring system are being made that would collaboratively install and utilize United States Geological Survey monitoring points and data at the Elizabeth Tunnel site that could rapidly identify tunnel alignment offsets in order to provide an effective response. Since a San Andreas event is expected to be a magnitude 7.8 or larger earthquake, many aftershocks, some as large as 7.0 to 7.5, would be expected in the months following. The hazard of large aftershocks would make it difficult, if not impossible, to repair the tunnel during the first few months following such an earthquake. In such an event the Water System would recover by initiating immediate water conservation measures and utilizing supplies from several redundant sources. Storage in Water System reservoirs south of the San Andreas Fault would be used to supplement the temporary loss of aqueduct water. The Water System maintains several large reservoirs that can help fulfill this purpose including three reservoirs, Hollywood Reservoir, Lower Stone Canyon Reservoir and Encino Reservoir, maintained solely for emergency purposes. In addition, Metropolitan can supply water to the City through raw and treated water connections from the California Aqueduct and Colorado River Aqueduct, if they are not damaged, or once they are repaired. See "WATER SUPPLY." While these operational changes are implemented, Department staff would be engaged in assessing damage and implementing emergency response to restore Elizabeth Tunnel to service. In a very large event, it is possible for all three aqueducts to be damaged at the same time, however due to their different locations crossing the San Andreas fault some of the aqueducts will be repairable in a much shorter timeframe than others. In December 2001, Metropolitan placed the Diamond Valley Lake into service as an emergency reserve that, according to Metropolitan's estimates, can supply one-third of the Southern California population with emergency water for approximately six months. However, although Diamond Valley Lake is a critical storage asset for Metropolitan, it provides limited benefits for the Department and other State Water Project dependent agencies due to the lack of critical conveyance infrastructure. Supplies from Diamond Valley Lake are unable to reach the majority of the Department's service area and during the 2020-22 Drought, the Department, along with five other agencies within Metropolitan service territory, experienced an isolated supply shortage, requiring some agencies to reduce their water use by more than 70% even though Metropolitan had water stored in Diamond Valley Lake. The Department is in ongoing discussion with Metropolitan to resolve these conveyance deficiencies such that the Department can realize the full benefits from water stored in Diamond Valley Lake.

An earthquake on the Garlock Fault could also seriously damage the First and Second Los Angeles Aqueducts. However, since the aqueducts are separate and closer to the surface at most other fault crossings, they would be easier to repair. In addition to the major active faults, there are a large number of other smaller active faults that could cause outages to aqueducts and other facilities of the Water System. The length of any such outage would depend on the extent of the damage and the nature of the facilities. Active faults within and close to the City also have the capability of interrupting the City's water supply and damaging Water System facilities. The 1971 San Fernando Earthquake seriously affected the Water

System by severely damaging distribution pipelines and other parts of the Water System. As a result of seismic improvements since 1971, the Water System received less damage from the 1994 Northridge earthquake, even though it was of the same magnitude as the 1971 earthquake. Improvements are continuing following lessons learned from the 1994 and other earthquakes that make the Water System more resilient to earthquake effects.

The California Aqueduct crosses major faults either by canal at ground level or by pipeline at very shallow depths to ease repair in case of damage from movement along a fault. State Water Project facilities are designed to withstand earthquakes without major damage. Similar to Department facilities, dams, for example, are designed to resist earthquake forces on their embankments. Earthquake loads have been taken into consideration in the design of project structures such as pumping and power plants. The location of check structures on the canal allows for hydraulic isolation of the fault-crossing repair. Metropolitan's water conveyance and distribution facilities are designed to either withstand a maximum probable seismic event or to minimize the potential repair time in the event of damage. Metropolitan personnel and independent consultants periodically reevaluate the distribution system's vulnerability to earthquakes. Metropolitan is now implementing a seismic resilience program. Supplies are dispersed throughout Metropolitan's service area, and a six-month reserve supply of water normally held in local storage (including emergency storage in Diamond Valley Lake) provides reasonable assurance of continuing water supplies during such events.

The Department and Metropolitan (according to information received by the Department) maintain surveillance programs that monitor the safety and structural performance of all their large dams and reservoirs. In addition, the Department and Metropolitan have developed emergency plans that call for specific levels of response appropriate to an earthquake's magnitude and location. Included in these responses are various communication tools as well as a structured plan of management that varies with the severity of the event. Water System personnel routinely conduct inspections of all Department-owned larger dams falling under the jurisdiction of the Department of Water Resources Division of Safety of Dams. Routine maintenance of all water storage facilities, both in-City and along the Los Angeles Aqueduct, are conducted to monitor the safety and structural integrity of these facilities over time.

Conditions may occur which may result in damage to facilities in varying degrees; such damage may entail significant repair or replacement costs and there can be no assurance that such repair or replacement will occur. While certain facilities are designed to withstand earthquakes without major damage, there can be no assurance that supplies will not be interrupted in the event of an earthquake.

For a discussion of the Department's efforts to seismically strengthen certain facilities see "WATER SYSTEM INFRASTRUCTURE PROGRAM—Seismic Strengthening of Facilities."

In March 2015, the Uniform California Earthquake Rupture Forecast (the "2015 Earthquake Forecast") was issued by the Working Group on California Earthquake Probabilities. Organizations sponsoring the Working Group on California Earthquake Probabilities include the U.S. Geological Survey, the California Geological Survey, the Southern California Earthquake Center and the California Earthquake Authority. According to the 2015 Earthquake Forecast, the probability of a magnitude 6.7 or larger earthquake over the next 30 years (from 2014) striking the greater Los Angeles area is 60%. From the Uniform California Earthquake Rupture Forecast published in April 2008 (the "2008 Earthquake Forecast"), the estimated rate of earthquakes around magnitude 6.7 or larger decreased by about 30%. However, the estimate for the likelihood that California will experience a magnitude 8.0 or larger earthquake in the next 30 years (from 2014) increased from about 4.7% in the 2008 Earthquake Forecast to about 7.0% in the 2015 Earthquake Forecast. The 2015 Earthquake Forecast considered more than 250,000 different fault-based earthquakes, including multifault ruptures, whereas the 2008 Earthquake Forecast considered approximately 10,000 different fault-based earthquakes.

The Department, under the direction of the Los Angeles Mayor's office developed the Seismic Resilience Program. The goal of the program is to implement Water System seismic planning, evaluation, and monitoring useful to identify needed migrations throughout the City and the Los Angeles Aqueduct. The program includes a study to identify mitigation alternatives for the Los Angeles Aqueduct crossing through the San Andreas Fault.

While it is impossible to accurately predict the cost or effect of a major earthquake on the Water System or to predict the effect of such an earthquake on the Department's ability to provide continued uninterrupted service to all parts of the Department's service area, there have been various studies conducted to assist the Department in assessing seismic risks. Based on these studies, the Department completed numerous projects designed to mitigate seismic risks and seismically strengthen Water System infrastructure and facilities. See "WATER SYSTEM INFRASTRUCTURE PROGRAM—Seismic Strengthening of Facilities." No studies have been conducted or commissioned by the Department outside of the State. See "THE DEPARTMENT—Insurance."

Volcanic Activity. The Long Valley, a large caldera located north of Owens Valley, and the Mono Basin area are part of a large active and complex volcanic system. In the past 5,000 years, an estimated 20 small eruptions have occurred in this region. The latest eruption was 250 years ago and was located on one of the islands in Mono Lake. Since 1978, there has been a marked increase in seismic activity and bulging of the ground surface due to volcanic activity several kilometers below the ground surface. This renewed activity continues in cycles typified by earthquake swarms of more than 1,000 small earthquakes per day at the peak of a cycle. Since 1978, the United States Geological Survey has predominantly classified this volcanic hazard as Condition Green, which is defined as "no immediate risk" of eruption. However, three times in the last 20 years the hazard has been temporarily upgraded to Condition Yellow, which signifies "intense volcanic unrest." The classification of this volcanic hazard may change with limited warning.

Eruptions in the region in the past 5,000 years have been relatively small, much smaller than (one tenth to one half) the size of the Mount St. Helens eruption. There is a low possibility that a large eruption could occur similar in size to the Mount St. Helens eruption.

Conditions may occur which may result in damage to facilities in varying degrees; such damage may entail significant repair or replacement costs and there can be no assurance that such repair or replacement will occur. While certain facilities are designed to withstand volcanic eruption without major damage, there can be no assurance that supplies will not be interrupted in the event of a volcanic eruption.

Wildfires. Water conveyance facilities generally consist of pipelines and connections, flow control facilities, tanks, reservoirs and pumping stations, which are not typically vulnerable to damage by wildfires. The above ground facilities within the Water System are designed to be tolerant to damage by wildfires through the use of fire resistant material where possible, such as concrete and masonry blocks. In addition, the Department works closely with the City's fire department to ensure that proper vegetative clearances are maintained in and around the properties and facilities of the Water System. The Department watches for wildfires that may threaten the facilities of the Water System and operations and maintenance crews are dispatched to ensure that all above-ground facilities remain safe and operational.

Security of the Water System. Military conflicts and terrorist activities (including, but not limited to, cyberterrorism) may adversely impact the operations and finances of the Water System. The Department continually plans and prepares for emergency situations and immediately responds to ensure the quality and service of water is maintained. The Department has a variety of physical security measures in place, as well as a cybersecurity program, aimed at protecting the assets of the Water System and the technological systems utilized in the delivery of water service to its customers. The Department operates a 24/7 operations center and regularly plans for emergency situations and develops response protocols.

In response to increased security concerns, the Department has augmented its distribution system water quality monitoring program with specialized water security monitoring and surveillance. The Department is researching and evaluating the practicality and reliability of real-time, on-line water quality monitoring. Early warning monitoring systems are also being evaluated.

Elements of the Department's cybersecurity program include ongoing monitoring, regular staff training and a robust defense-in-depth strategy, as well as other cybersecurity and operational safeguards such as performance of periodic security risk assessments and gap analyses to identify security strengths and vulnerabilities; practices for the backup and recovery of data; security awareness training, and response plans. The Department also collaborates with federal and state partners and other public and private third parties to assess vulnerabilities, share information and actively detect and manage risks.

Attacks, especially zero-day exploits directed at critical water sector operations could damage Water System assets, cause operational malfunctions and outages, and result in costly recovery and remediation efforts. Further, cyberattacks are becoming more sophisticated and certain cyber incidents, such as surveillance, may remain undetected for an extended period. United States government agencies have in the past issued warnings indicating that critical infrastructure sectors such as water systems and supplies may be specific targets of cybersecurity threats.

There can be no assurance that any existing or additional safety and security measures will prove adequate in the event that terrorist activities are directed against the Water System or that costs of security measures will not be greater than presently anticipated. Further, damage to certain components of the Water System could require the Department to increase expenditures for repairs to the Water System significantly enough to adversely impact the Department's ability to pay debt service on the Bonds, including the Series A Bonds.

Security of Metropolitan's Systems. Metropolitan has reported that it has increased ground and air patrols of the Colorado River Aqueduct. In addition, Metropolitan has increased the frequency of monitoring and testing at all treatment plants in addition to various sites along the Colorado River Aqueduct. Although Metropolitan has constructed redundant systems and other safeguards, no assurance can be given that existing or additional safety and security measures will prove adequate in the event that terrorist activities are directed against the Water System to prevent a disruption of Metropolitan's ability to deliver water to its member agencies, including the Department, through the Colorado River Aqueduct or the State Water Project, or that costs of security measures will not be greater than presently anticipated, which could adversely impact the Department's ability to pay the debt service on the Bonds, including the Series A Bonds.

California State Water Legislation

In 2009, a comprehensive package of water legislation was enacted that included a mandate to reduce per capita urban water usage by 20% by 2020 (which the Department has already accomplished), new regulations to monitor groundwater levels, and an \$11.1 billion general obligation bond measure that will require the approval of the voters of the State (the "State Water Bonds").

The State Water Bonds were approved by voters on the statewide November 2014 ballot as part of Proposition 1. Proposition 1 authorizes \$7.5 billion in funding to support and implement state water supply infrastructure projects and programs, including \$800 million for the prevention and cleanup of groundwater contamination, \$725 million for water recycling, and \$810 million for integrated regional water management statewide. As of January 1, 2022, the Department had been awarded approximately \$330 million of Proposition 1 funding. Proposition 1 awards include a \$3 million zero interest loan for water conservation and efficiency measures and grants for capital improvement projects such as the North

Hollywood Central Response Action Treatment Facility and the Tujunga Spreading Grounds Enhancement Project.

As stated in the 2020 UWMP, the Department plans to invest in projects to enhance local water supplies and reduce reliance on purchased water by promoting stormwater capture and increasing recycled water use. The Department is also working diligently to promote additional water conservation and to accelerate the remediation of the City's local groundwater basins. The Department has received Proposition 1 funding, and expects to apply for and additional funding from Proposition 1 in the future, to support planning and implementation of many of these efforts. Outside funding from Proposition 1 would offset interest costs that would otherwise be borne by the ratepayers (the Department is obligated to pay back the principal amount of any Proposition 1 funding it receives).

In 2018 and 2019, the California State Legislature enacted, and the respective Governors signed, three long-term water use efficiency bills, Senate Bill 606 (2018), Assembly Bill 1668 (2018) and Assembly Bill 1414 (2019), to establish a new foundation for long-term improvements in water conservation and drought planning to adapt to climate change and the resulting longer and more intense droughts in California. The legislation sets standards for indoor residential use and requires the State Water Resources Control Board, in coordination with the Department of Water Resources, to adopt efficiency standards for outdoor residential use, water losses, and commercial, industrial and institutional outdoor landscape areas with dedicated irrigation meters. All new requirements for urban water use objectives are effective after June 2022 when the State Water Resources Control Board adopts urban water use efficiency standards, performance measures, and variances. Under the new authorities and requirements (including the revised reporting deadlines set by Assembly Bill 1414), each urban wholesale and retail water supplier must prepare, adopt, and submit a water shortage contingency plan and conduct a drought risk assessment every five years in addition to conducting an annual water supply and demand assessment.

Limitations on Remedies

Upon the occurrence and continuance of an event of default under the Bond Resolution, the owners of the Series A Bonds have limited remedies. Enforceability of the rights and remedies of the owners of the Series A Bonds, and the obligations incurred by the Department, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the Federal or State government, if initiated, could subject the owners of the Series A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Global Health Emergencies; COVID-19 Pandemic

A pandemic, epidemic or outbreak of an infectious disease can have significant adverse health and financial impacts on global and local economies. For example, beginning in 2020, the COVID-19 pandemic negatively affected economic activity throughout the world, including the United States and the State. The initial impacts of stay-at-home orders globally was unprecedented, with commerce, travel, asset values and financial markets experiencing disruptions worldwide. The COVID-19 pandemic impacted the Department in certain respects, however, there was not a material adverse impact to the Water System's operations or its ability to meet its financial obligations as a result of the COVID-19 pandemic. Certain employees of

electric and water utility systems, like the Department, are considered essential works and were exempt from the “stay at home” and “safer at home” orders issued by the State, the County and the City, and therefore, the Department continued to fully provide power and water services to its customers throughout the pandemic. In response to the COVID-19 outbreak, the Department implemented a number of temporary measures intended to mitigate operational and financial impacts to the Department, and to assist the Department’s customers. In light of the measures taken by the Department to mitigate the economic impact of COVID-19 on its customers, including extended payment options and deferrals of disconnections of water and power services for non-payment, the Department has experienced and may continue to experience an increase in delinquent accounts and increase of uncollectible accounts. See “WATER RATES—Billing and Collections — *COVID-19 Effects*.”

The declarations of the COVID-19 pandemic as a public health emergency have been lifted. However, no assurance can be given that the operations or finances of the Water System will not be negatively affected in the event that the pandemic and its consequences again become more severe or if there is an outbreak of another infectious disease or similar event impacting the region in the future.

LITIGATION

General

A number of claims and suits are pending against the Department or that directly affect the Department with respect to the Water System for alleged damages to persons and property and for other alleged liabilities arising out of its operations. Certain of these suits are described below. In the opinion of the Department, any ultimate liability which may arise from any of the pending claims and suits is not expected to materially impact the Water System’s financial position, results of operations or cash flows.

Water Rates Litigation

On March 4, 2019, certain ratepayers of the Department filed a class action lawsuit (*Stephen and Melinda Dreher v. City of Los Angeles Department of Water and Power*) against the Department, that alleges, among other things, that the residential service Schedule A Water Rates currently charged under the Water Rate Ordinance are unconstitutional and violate Proposition 218. The plaintiffs are asking the court to, among other things (i) declare that the Schedule A Water Rates violate Proposition 218, (ii) enjoin the Department from continuing to impose the Schedule A Water Rates at their current levels and require the City to comply with Proposition 218, and (iii) order the Department to refund the class for the alleged overcharging of Schedule A Water Rates. On March 29, 2022, the court issued a written decision finding that the Schedule A Water Rates tier approach and rate methodology comply with the requirements of Proposition 218. On June 2, 2023, the plaintiffs appealed the judgment. The case is currently being briefed in the Second District Court of Appeal. The Department cannot predict the ultimate outcome of this case.

On October 6, 2022, certain ratepayers of the Department filed another class action lawsuit (*Andrew Mollner v. City of Los Angeles*) against the Department, that also alleges, among other things, that the residential service Schedule A Water Rates currently charged under the Water Rate Ordinance are unconstitutional and violate Proposition 218. The plaintiffs are asking the court to, among other things (i) declare that the Schedule A Water Rates violate Proposition 218, (ii) enjoin the Department from continuing to impose the Schedule A Water Rates at their current levels and require the Department to comply with Proposition 218, and (iii) order the Department to refund the class for the alleged overcharging of Schedule A Water Rates. The Department successfully moved to strike the plaintiff’s claim for refund. Thus, the only relief available to the plaintiff will be declaratory relief, an injunction, and a potential personal refund. Trial on the merits is currently scheduled for February 14, 2025. The Department intends to vigorously defend this lawsuit, but cannot predict the ultimate outcome of the case. As stated above in

(ii), one potential outcome for this lawsuit is that the Department could be enjoined from charging its Schedule A water rates. Even in such event, the Department presumes that the Court will still allow the Department to charge for water, but the Department can't predict at what rates the Court would allow the Department to charge.

On July 11, 2024, certain ratepayers of the Department filed a class action lawsuit (*Lorin M. Engquist, et al., v. Los Angeles Department of Water and Power*) against the Department that alleges, among other things, that the adjustment factors used to calculate Schedule A, Schedule B, Schedule C, Schedule E, and Schedule F water rates violate Government Code sections 66016 and 53750. The plaintiffs are asking the court to, among other things (i) declare that the adjustment factors were improperly imposed and collected; (ii) enjoin the Department from collecting the adjustment factors; and (iii) order the Department to refund the class for the allegedly improper adjustment factors. The Department intends to demur to the Complaint, and to move to strike the claim for a refund. If successful, the only relief available to the plaintiffs will be declaratory relief, an injunction, and a potential personal refund. The Department intends to vigorously defend this lawsuit, but cannot predict the ultimate outcome of the case.

CERTAIN LEGAL MATTERS

The validity of the Series A Bonds and certain other legal matters are subject to the approval of Kutak Rock LLP, bond counsel to the Department ("Bond Counsel"). See "TAX MATTERS." The form of the opinion to be delivered by Bond Counsel is attached hereto as Appendix E. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement. Certain legal matters in connection with the Series A Bonds will be passed upon for the Department by the Office of the City Attorney of the City and by Kutak Rock LLP, Disclosure Counsel to the Department and for the Underwriters by Hawkins Delafield & Wood LLP. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with regard to the Series A Bonds are contingent upon the issuance and delivery of the Series A Bonds.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Bond Counsel to the Department, under existing laws, regulations, rulings and judicial decisions, interest on the Series A Bonds is excluded from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. The opinions described above assume the accuracy of certain representations and compliance by the Department with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series A Bonds. Failure to comply with such requirements could cause interest on the Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series A Bonds. The Department has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series A Bonds. Interest on the Series A Bonds may affect the federal alternative minimum tax imposed on certain corporations.

The accrual or receipt of interest on the Series A Bonds may otherwise affect the federal income tax liability of the owners of the Series A Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences.

Purchasers of the Series A Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain

corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series A Bonds.

Bond Counsel is further of the opinion that interest on the Series A Bonds is exempt from present State of California personal income taxes.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

Tax Treatment of Original Issue Premium

The Series A Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Series A Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Series A Bond over its stated redemption price at maturity constitutes premium on such Premium Series A Bond. A purchaser of a Premium Series A Bond must amortize any premium over such Premium Series A Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Series A Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Series A Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Series A Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Series A Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Series A Bond.

Tax Treatment of Original Issue Discount

The Series A Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Discount Series A Bonds”), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Series A Bonds and their stated amounts to be paid at maturity (excluding “qualified stated interest” within the meaning of Section 1.1273-1 of the Regulations) constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Series A Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Series A Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Series A Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Series A Bond, on days that are determined by reference to the maturity date of such Discount Series A Bond. The amount treated as original issue discount on such Discount Series A Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield

to maturity for such Discount Series A Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Series A Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Series A Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Series A Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Series A Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Series A Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Series A Bond. Subsequent purchasers of Discount Series A Bonds that purchase such bonds for a price that is higher or lower than the “adjusted issue price” of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Backup Withholding

An owner of a Series A Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series A Bonds if such owner fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner’s taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Changes in Federal and State Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Series A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series A Bonds or the market value thereof would be impacted thereby. Purchasers of the Series A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series A Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Series A Bonds are advised to consult their own tax advisors prior to any purchase of the Series A Bonds as to the impact of the Code upon their acquisition, holding or disposition of the Series A Bonds.

RATINGS

Kroll Bond Rating Agency, LLC, Moody's Investors Service Inc., and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, have assigned the Series A Bonds ratings of "[•]," "[•]" and "[•]," respectively. Such credit ratings reflect only the views of such organizations and any desired explanation of the meaning and significance of such credit ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses, which are current as of the date of this Official Statement: Kroll Bond Rating Agency, LLC, 805 Third Avenues, 29th Floor, New York, New York 10222; Moody's Investors Service Inc., 1 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007; and S&P Global Ratings, 55 Water Street, 38th Floor, New York, New York 10004. Generally, a rating agency bases its credit rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the ratings will remain in effect for any given period of time or that any such rating will not be revised, either downward or upward, or withdrawn entirely, or a positive, negative or stable outlook announced, by the applicable rating agency, if, in its judgment, circumstances so warrant. The Department undertakes no responsibility to bring to the attention of the Owners of the Series A Bonds any announcement regarding the outlook of any rating agency with respect to the Series A Bonds. Any downward revision of a rating or withdrawal or announcement of negative outlook could have an adverse effect on the market price or marketability of the Series A Bonds. Maintenance of ratings will require periodic review of current financial data and other updating information by assigning agencies.

CONTINUING DISCLOSURE

The Department will covenant for the benefit of Owners and Beneficial Owners of the Series A Bonds to provide certain financial information and operating data relating to the Water System (the "Annual Report") by not later than 270 days following the end of the Department's Fiscal Year (which Fiscal Year currently ends on June 30), commencing with the Annual Report for the Fiscal Year ended June 30, 2025, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of material events will be filed by the Department with the MSRB through the EMMA system. The specific nature of the information to be contained in the Annual Report and the notices of material events is summarized in "APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants will be made in order to assist the underwriters for the Series A Bonds in complying with Rule 15c2-12.

UNDERWRITING OF THE SERIES A BONDS

The Department has entered into a Contract of Purchase (the "Contract of Purchase") with BofA Securities, Inc., as representative of the underwriters of the Series A Bonds listed on the front cover of this Official Statement (the "Underwriters"), pursuant to which the Underwriters have agreed, subject to certain conditions, to purchase the Series A Bonds from the Department at a purchase price of \$ _____, which represents the aggregate principal amount of the Series A Bonds, plus an original issue premium of \$ _____, less an original issue discount of \$ _____, less an underwriters' discount of \$ _____. The initial public offering prices of the Series A Bonds may be changed from time to time by the Underwriters. The Contract of Purchase provides that (i) the Underwriters will purchase all of the Series A Bonds if any of the Series A Bonds are purchased and (ii) the obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase including, among others, the approval of certain legal matters by counsel.

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers that are not Underwriters for the distribution of Series A Bonds at the initial public offering prices.

Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with the relevant broker-dealer.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Department, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Department.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

Public Resources Advisory Group (the “Municipal Advisor”) has assisted the Department with various matters relating to the planning, structuring and delivery of the Series A Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent municipal advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. Certain fees of the Municipal Advisor are contingent upon the issuance and delivery of the Series A Bonds.

INDEPENDENT AUDITORS

KPMG LLP, independent auditors, has not been engaged to perform and has not performed, since the date of its report included in the financial statements of the Water System as of June 30, 2024 and 2023, and for the years then ended, included in this Official Statement as Appendix A, any procedures on the basic financial statements addressed in the report. KPMG LLP also has not performed any procedures relating to this Official Statement.

MISCELLANEOUS

The covenants and agreements of the Department for the benefit of the Owners of the Series A Bonds are set forth in the Master Resolution and the Forty-First Supplemental Resolution, and reference is made to such resolutions for a statement of the rights of the Owners of the Series A Bonds and the covenants and obligations of the Department. All references to the Series A Bonds are qualified in their entirety to the definitive form thereof and the information with respect thereto included in the Master Resolution and the Forty-First Supplemental Resolution.

This Official Statement is not a contract with the Owners of any of the Series A Bonds.

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive, or definitive and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument.

Any statements in this Official Statement involving matters of opinion and all estimates, whether or not expressly so stated, are intended as such and not as representations of facts and are not to be construed as representations that they will be realized.

The Board has authorized the execution and delivery of this Official Statement by the Department's Chief Financial Officer.

DEPARTMENT OF WATER AND POWER OF THE
CITY OF LOS ANGELES

By _____
Chief Financial Officer

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APPENDIX A

FINANCIAL STATEMENTS

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
WATER SYSTEM

Financial Statements and
Required Supplementary Information

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

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APPENDIX B

DEMOGRAPHIC AND ECONOMIC INFORMATION FOR THE CITY OF LOS ANGELES

Introduction

The City of Los Angeles (the “City”) is the second most populous city in the United States, with an estimated 2024 population of 3.8 million. Los Angeles is the principal city of a metropolitan region stretching from the City of Ventura to the north, the City of San Clemente to the south, the City of San Bernardino to the east, and the Pacific Ocean to the west.

The economic and demographic information below is provided as general background. Although it has been collected from sources that the City considers to be reliable, the City has made no independent verification of the information provided by non-City sources and the City takes no responsibility for the completeness or accuracy thereof. The current state of the economy of the City, State of California and the United States of America may not be reflected in the data discussed below, because more up-to-date information is not publicly available.

History

Founded in 1781, Los Angeles was for its first century a provincial outpost under successive Spanish, Mexican and American rule. Incorporated in 1850 under the provisions of a Charter, the City experienced a population boom following its linkage by rail with San Francisco in 1876. Los Angeles was selected as the Southern California rail terminus because its natural harbor seemed to offer little challenge to San Francisco, home of the railroad barons. But what the region lacked in commerce and industry, it made up in temperate climate and available real estate, and soon tens and then hundreds of thousands of people living in the Northeastern and Midwestern United States migrated to new homes in the region. Agricultural and oil production, followed by the creation of a deep-water port, the opening of the Panama Canal, and the completion of the City-financed Owens Valley Aqueduct to provide additional water, all contributed to an expanding economic base. The City’s population climbed to 50,000 persons in 1890, and had swelled to 1.5 million persons by 1940. During this same period, the automobile became the principal mode of American transportation, and the City developed as the first major city of the automotive age. Following World War II, the City became the focus of a new wave of migration, with its population reaching 2.4 million persons by 1960. By 2023, the population had grown to 3.8 million, and the City experienced further growth in its demographic and economic diversity.

The City’s 470 square miles contain 11.5 percent of the area of the County of Los Angeles, California (the “County”) and approximately 39 percent of the population of the County. Tourism and hospitality, professional and business services, direct international trade, entertainment (including motion picture, television and digital media production), and wholesale trade and logistics all contribute significantly to local employment. Emerging industries are largely technology driven, and include biomedical technology, digital information technology, environmental technology and aerospace. There were more than 319,000 manufacturing jobs in the County in 2023. Important manufacturing components of local industry include apparel, computer and electronic components, transportation equipment, fabricated metal, and food processing. Fueled by trade with the Pacific Rim countries, the Ports of Los Angeles and Long Beach combined are the busiest container ports in the nation. As home to the film, television and recording industries, as well as important cultural facilities, the City serves as a principal global cultural center.

Population

The table below summarizes historic City, County, and State population estimates since 2000.

Table 1
CITY, COUNTY AND STATE POPULATION STATISTICS

<i>Year⁽¹⁾</i>	<i>City of Los Angeles</i>	<i>Percentage Change⁽²⁾</i>	<i>County of Los Angeles</i>	<i>Percentage Change⁽²⁾</i>	<i>State of California</i>	<i>Percentage Change⁽²⁾</i>
2000	3,694,742	-	9,519,330	-	33,873,086	-
2005	3,769,131	2.01%	9,816,153	3.12%	35,869,173	5.89%
2010	3,792,621	0.62	9,818,605	0.02	37,253,956	3.86
2015	3,938,939	3.86	10,124,800	3.12	38,865,532	4.33
2020	3,898,536	(1.03)	10,014,009	(1.09)	39,538,223	1.73
2021	3,871,886	(0.68)	9,955,445	(0.58)	39,327,868	(0.53)
2022	3,822,940	(1.26)	9,861,493	(0.94)	39,114,785	(0.54)
2023	3,804,420	(0.48)	9,819,312	(0.43)	39,061,058	(0.14)
2024	3,814,318	0.26	9,824,091	0.05	39,128,162	0.17

⁽¹⁾ As of April 1 for 2000, 2010 and 2020 based on the Census benchmarks for such years. Estimated as of January 1 for other years.

⁽²⁾ For five-year time periods, figures represent cumulative change over such five year period.

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012 for years 2000 and 2005; State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark, Sacramento, California, May 2022 for years 2010 and 2015; State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2024, with 2020 Census Benchmark, Sacramento, California, May 2024 for years 2020 through 2024.

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Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the City and the County, based on the annual “benchmark,” an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records. The “benchmark” data is typically released in March for the prior calendar year.

Table 2
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF RESIDENT LABOR FORCE⁽¹⁾

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
<u>Civilian Labor Force</u>					
City of Los Angeles					
Employed	2,007,000	1,787,300	1,868,300	1,947,300	1,957,000
Unemployed	<u>94,500</u>	<u>251,500</u>	<u>181,900</u>	<u>102,600</u>	<u>108,500</u>
Total	2,101,400	2,038,800	2,050,200	2,049,900	2,065,500
County of Los Angeles					
Employed	4,920,800	4,350,500	4,547,600	4,739,900	4,763,600
Unemployed	<u>230,700</u>	<u>609,800</u>	<u>445,900</u>	<u>244,900</u>	<u>252,000</u>
Total	5,151,500	4,960,300	4,993,500	4,984,800	5,015,600
<u>Unemployment Rates</u>					
City	4.5%	12.3%	8.9%	5.0%	5.3%
County	4.5%	12.3%	8.9%	4.9%	5.0%
State	4.1%	10.1%	7.3%	4.2%	4.8%
United States	3.7%	8.1%	5.3%	3.6%	3.6%

⁽¹⁾ March 2023 Benchmark report as of July 2024, not seasonally adjusted.

Note: Based on surveys distributed to households; not directly comparable to Industry Employment data reported in the table below.

Sources: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S.

The COVID-19 pandemic caused an unprecedented loss of jobs and an increase in unemployment. Unemployment for the City for April 2020 was 20.7 percent, increased from 5.5 percent in March (not seasonally adjusted). The previous high in unemployment was 12.3 percent at the height of the Great Recession in 2010. The California Employment Development Department has reported preliminary unemployment figures for April 2024 of 4.8 percent statewide, 4.5 percent for the County, and 4.6 percent for the City (not seasonally adjusted).

The following table summarizes the California Employment Development Department’s estimated annual employment for the County as of March 2023, which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment-in-kind, or piece rates. Separate figures for the City are not maintained. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

Table 3
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE⁽¹⁾

	<i>County of Los Angeles 2023</i>	<i>% of Total</i>	<i>State of California 2023</i>	<i>% of Total</i>
Agricultural	4,700	0.1%	406,700	2.2%
Mining and Logging	1,700	0.0	19,600	0.1
Construction	151,000	3.3	913,500	5.0
Manufacturing	319,200	7.0	1,334,200	7.3
Trade, Transportation and Utilities	826,400	18.2	3,107,100	17.0
Information	193,000	4.2	559,000	3.1
Financial Activities	211,000	4.6	814,300	4.5
Professional and Business Services	652,500	14.3	2,775,400	15.2
Educational and Health Services	914,500	20.1	3,100,000	17.0
Leisure and Hospitality	534,100	11.7	2,010,600	11.0
Other Services	157,800	3.5	587,900	3.2
Government	<u>582,300</u>	12.8	<u>2,603,700</u>	14.3
Total	4,548,200		18,232,000	

⁽¹⁾ The California Employment Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.

Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table 55.

Source: California Employment Development Department, Labor Market Information Division. Based on March 2023 Benchmark report as of June 11, 2024.

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Major Employers

The estimated top 25 major non-governmental employers in the County in 2023 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major non-governmental employers represented 6.9 percent of the labor force.

Table 4
LOS ANGELES COUNTY
2023 MAJOR NON-GOVERNMENTAL EMPLOYERS

<i>Employer</i>	<i>Product/Service</i>	<i>Employees</i>
Kaiser Permanente	Nonprofit health care plan	44,769
University of Southern California	Private university	23,227
Northrop Grumman Corp.	Systems and products in aerospace and information systems	18,000 ⁽¹⁾
Cedars-Sinai	Health system	16,730
Allied Universal	Security professionals	15,326 ⁽¹⁾
Target Corp.	Retailer	15,000
Providence	Health care	14,395 ⁽¹⁾
Ralphs/Food 4 Less – Kroger Co.	Grocery retailer	14,000 ⁽¹⁾
Walt Disney Co.	Media and entertainment	12,200 ⁽¹⁾
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	12,005 ⁽¹⁾
UPS	Logistics, transportation and freight	11,643 ⁽¹⁾
Home Depot	Home improvement specialty retailer	11,200 ⁽¹⁾
NBCUniversal	Media and entertainment	11,000 ⁽¹⁾
Amazon	Online retailer	10,500 ⁽¹⁾
AT&T	Telecommunications, DirecTV, cable, satellite and television provider	10,500 ⁽¹⁾
Albertsons Cos.	Grocery retailer	10,406 ⁽¹⁾
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	9,224
Edison International	Electric utility, energy services	7,672 ⁽¹⁾
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	7,535
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	7,400 ⁽¹⁾
FedEx Corp.	Shipping and logistics	6,750 ⁽¹⁾
Children's Hospital Los Angeles	Hospital	6,644 ⁽¹⁾
Dignity Health	Health care	6,263 ⁽¹⁾
Costco Wholesale	Membership chain of warehouse stores	6,002 ⁽¹⁾
Space Exploration Technologies Corp.	Rockets and spacecraft	6,000 ⁽¹⁾

⁽¹⁾ Business Journal estimate.

Source: Los Angeles Business Journal, Weekly Lists, published August 23, 2023.

The estimated top 25 major governmental employers in the County in 2023 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major governmental employers represented 9.7 percent of the labor force.

Table 5
LOS ANGELES COUNTY
2023 LARGEST PUBLIC SECTOR EMPLOYERS

<i>Employers</i>	<i>Employees</i>
Los Angeles County	100,729 ⁽¹⁾
Los Angeles Unified School District	74,000
University of California, Los Angeles	51,597
Federal Executive Board ⁽²⁾	50,000
City of Los Angeles ⁽³⁾	34,421
State of California ⁽⁴⁾	32,300
Long Beach Unified School District	12,000 ⁽¹⁾
Los Angeles County Metropolitan Transportation Authority	11,700 ⁽¹⁾
Los Angeles Community College District	11,618 ⁽¹⁾
Los Angeles Department of Water and Power	11,000 ⁽¹⁾
California State University – Long Beach	8,477 ⁽¹⁾
City of Long Beach	5,395
Mt. San Antonio Community College District	4,400 ⁽¹⁾
California State University – Northridge	4,276
Glendale Unified School District	4,000
Los Angeles World Airports	3,662
Cal Poly Pomona	3,094
Compton Unified School District	3,071 ⁽¹⁾
Montebello Unified School District	2,885 ⁽¹⁾
Pomona Unified School District	2,800 ⁽¹⁾
California State University – Los Angeles	2,621
City of Pasadena	2,314 ⁽¹⁾
Santa Monica Community College District	2,023 ⁽¹⁾
City of Santa Monica	1,979 ⁽¹⁾
City of Glendale	1,774

(1) Business Journal estimate.

(2) Excludes law enforcement and judiciary employees.

(3) Excludes proprietary departments (DWP, LAWA, Port of L.A.).

(4) Excludes education employees.

Source: Los Angeles Business Journal, Weekly Lists, published August 23, 2023.

Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of “net earnings,” rental income, dividend income, interest income, and transfer receipts. “Net earnings” is defined as wages and salaries, supplements to wages and salaries, and proprietors’ income, less contributions for government social insurance, before deduction of personal income and other taxes.

The following table summarizes the latest available estimate of personal income for the County, State and United States; equivalent data is not available for the City.

Table 6
COUNTY, STATE AND U.S.
PERSONAL INCOME

<i>Year and Area</i>	<i>Personal Income (thousands of dollars)</i>	<i>Per Capita Personal Income⁽¹⁾ (dollars)</i>
2018		
County ⁽²⁾	\$ 595,765,931	\$59,004
State ⁽³⁾	2,411,055,136	60,984
United States ⁽³⁾	17,514,402,000	53,309
2019		
County ⁽²⁾	\$ 628,932,215	\$62,573
State ⁽³⁾	2,537,950,599	64,174
United States ⁽³⁾	18,343,601,000	55,547
2020		
County ⁽²⁾	\$ 673,306,158	\$67,383
State ⁽³⁾	2,767,521,379	70,061
United States ⁽³⁾	19,609,985,000	59,153
2021		
County ⁽²⁾	\$ 720,046,822	\$73,385
State ⁽³⁾	3,013,676,900	76,991
United States ⁽³⁾	21,392,812,000	64,430
2022		
County ⁽²⁾	\$ 720,740,528	\$74,142
State ⁽³⁾	3,006,647,281	77,036
United States ⁽³⁾	21,820,248,000	65,470
2023		
County ⁽⁵⁾	n/a	n/a
State ⁽³⁾	\$ 3,133,678,900	\$80,423
United States ⁽⁴⁾	22,952,028,300	68,531

(1) Per capita personal income is total personal income divided by total midyear population.

(2) Last updated: November 16, 2023 – new statistics for 2022; revised statistics for 2018 – 2021.

(3) Last updated: May 23, 2024 – new statistics for 2023; revised statistics for 2018 – 2022.

(4) Last updated: May 23, 2024 – new statistics for 2023; revised statistics for 2018 – 2022.

(5) County information for 2023 not yet available.

Source: U.S. Bureau of Economic Analysis, “Table SAINC1: Personal Income Summary” for information for the State and the United States and “Table CAINC1: Personal Income Summary” for information for the County (accessed May 31, 2024).

Retail Sales

As the largest city in the County, the City accounted for \$55.7 billion (or approximately 26.9 percent) of the total \$207.4 billion in County taxable sales for 2023. The following table sets forth a history of taxable sales for the City for calendar years 2019 through 2023.

Table 7
CITY OF LOS ANGELES
TAXABLE SALES
(in thousands)

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Motor Vehicle and Parts Dealers	\$4,920,618	\$4,585,480	\$5,927,499	\$6,558,134	\$6,094,730
Home Furnishings and Appliance Stores	1,879,295	1,523,470	2,025,904	1,974,419	1,735,366
Bldg. Materials and Garden Equip. and Supplies	2,633,786	2,774,916	3,040,639	3,207,718	3,129,813
Food and Beverage Stores	3,003,306	3,045,666	3,154,313	3,357,996	3,312,332
Gasoline Stations	4,634,896	2,903,295	4,469,765	5,873,754	5,156,169
Clothing and Clothing Accessories Stores	3,392,114	2,302,122	3,632,876	3,714,074	3,510,608
General Merchandise Stores	2,908,563	2,494,747	3,037,363	3,297,351	3,269,278
Food Services and Drinking Places	10,214,928	6,320,584	8,881,294	10,921,768	11,360,174
Other Retail Group	<u>4,686,277</u>	<u>4,462,925</u>	<u>5,286,747</u>	<u>5,282,976</u>	<u>4,940,808</u>
Subtotal Retail and Food Services	38,273,783	30,413,205	39,456,400	44,188,190	42,509,281
All Other Outlets	<u>11,900,668</u>	<u>9,241,031</u>	<u>11,296,267</u>	<u>14,218,524</u>	<u>13,178,287</u>
TOTAL ALL OUTLETS	\$50,174,451	\$39,654,237	\$50,752,667	\$58,406,714	\$55,687,568
Year-over-year change	1.4%	(21.0%)	28.0%	15.1%	(4.7)

Source: California Department of Tax and Fee Administration, Research and Statistics (last updated April 12, 2024).

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Land Use

The following table, derived from data maintained by the Los Angeles County Assessor, indicates various land uses within the City based on assessed valuation and the number of parcels.

Table 8
CITY OF LOS ANGELES
ASSESSED VALUATION AND PARCELS BY LAND USE

	<i>2023-24 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential				
Commercial Office	\$ 123,594,027,700	15.57%	26,523	3.36%
Vacant Commercial	2,548,137,269	0.32	1,342	0.17
Industrial	59,295,429,779	7.47	17,784	2.26
Vacant Industrial	2,108,370,020	0.27	4,229	0.54
Recreational	2,956,403,429	0.37	779	0.10
Government/Social/Institutional	4,323,927,005	0.54	3,599	0.46
Miscellaneous	<u>412,868,651</u>	<u>0.05</u>	<u>1,872</u>	<u>0.24</u>
Subtotal Non-Residential	\$ 195,239,163,853	24.60%	56,128	7.12%
Residential				
Single Family Residence	\$ 406,072,545,247	51.16%	508,959	64.54%
Condominium/Townhouse	52,218,443,518	6.58	90,640	11.49
Mobile Homes and Lots	183,955,801	0.02	3,492	0.44
Mobile Home Park	265,659,820	0.03	93	0.01
2-4 Residential Units	40,999,689,306	5.17	75,013	9.51
5+ Residential Units/Apartments	95,306,649,303	12.01	35,601	4.51
Vacant Residential	<u>3,512,123,137</u>	<u>0.46</u>	<u>18,620</u>	<u>2.36</u>
Subtotal Residential	\$ 598,559,066,132	75.40%	732,418	92.88%
Total	\$ 793,798,229,985	100.00%	788,546	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Residential Value and Construction Activity

The following table indicates the array of assessed valuation for single-family residential properties in the City.

Table 9
CITY OF LOS ANGELES
PER PARCEL ASSESSED VALUATION OF SINGLE-FAMILY RESIDENTIAL PROPERTIES

		<i>No. of Parcels</i>	<i>2023-24 Assessed Valuation</i>		<i>Average Assessed Valuation</i>	<i>Median Assessed Valuation</i>	
Single	Family	508,959	\$406,072,545,247		\$797,849	\$447,189	
Residential Properties							
<i>2023-24 Valuation</i>	<i>Assessed</i>	<i>No. of Residential Parcels ⁽¹⁾</i>	<i>% of Total</i>	<i>Cumulative % of Total</i>	<i>Total Valuation</i>	<i>% of Total</i>	<i>Cumulative % of Total</i>
\$0 - \$49,999		6,115	1.201%	1.201%	\$ 212,380,065	0.052%	0.052%
\$50,000 - \$99,999		13,986	2.748	3.949	1,056,068,874	0.260	0.312
\$100,000 - \$149,999		16,365	3.215	7.165	2,048,767,080	0.505	0.817
\$150,000 - \$199,999		25,083	4.928	12.093	4,422,383,730	1.089	1.906
\$200,000 - \$249,999		32,991	6.482	18.575	7,433,961,003	1.831	3.737
\$250,000 - \$299,999		41,330	8.120	26.696	11,339,794,760	2.793	6.529
\$300,000 - \$349,999		47,539	9.340	36.036	15,432,252,797	3.800	10.330
\$350,000 - \$399,999		48,812	9.591	45.627	18,290,393,332	4.504	14.834
\$400,000 - \$449,999		27,734	5.449	51.076	11,777,021,228	2.900	17.734
\$450,000 - \$499,999		30,245	5.943	57.018	14,362,715,355	3.537	21.271
\$500,000 - \$549,999		29,979	5.890	62.909	15,732,769,347	3.874	25.145
\$550,000 - \$599,999		28,002	5.502	68.410	16,085,636,892	3.961	29.107
\$600,000 - \$649,999		20,311	3.991	72.401	12,683,143,017	3.123	32.230
\$650,000 - \$699,999		15,882	3.120	75.522	10,712,043,714	2.638	34.868
\$700,000 - \$749,999		14,829	2.914	78.435	10,744,693,017	2.646	37.514
\$750,000 - \$799,999		12,606	2.477	80.912	9,757,321,332	2.403	39.917
\$800,000 - \$849,999		10,444	2.052	82.964	8,609,312,964	2.120	42.037
\$850,000 - \$899,999		10,213	2.007	84.971	8,931,339,991	2.199	44.236
\$900,000 - \$949,999		9,494	1.865	86.836	8,777,953,026	2.162	46.398
\$950,000 - \$999,999		8,063	1.584	88.420	7,858,627,139	1.935	48.333
\$1,000,000-and greater		58,936	11.580	100.000	209,803,966,584	51.667	100.000
		508,959	100.000%		\$ 406,072,545,247	100.000%	

⁽¹⁾ Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

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The table below provides a summary of building permits issued by the City by calendar year.

Table 10
CITY OF LOS ANGELES
RESIDENTIAL BUILDING PERMIT VALUATIONS AND NEW UNITS

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Valuation ⁽¹⁾	\$ 8,520	\$ 6,285	\$ 6,091	\$ 7,968	\$ 5,306
Residential ⁽²⁾	3,437	2,930	2,743	3,690	2,520
Non-Residential ⁽³⁾	1,091	1,187	871	1,196	1,256
Miscellaneous Residential ⁽⁴⁾	173	129	232	365	380
Miscellaneous Non-Residential ⁽⁵⁾	146	46	18	2	388
Number of Residential Units:					
Single family ⁽⁶⁾	3,739	2,685	3,122	4,430	3,918
Multi-family ⁽⁷⁾	<u>10,693</u>	<u>9,171</u>	<u>10,898</u>	<u>12,324</u>	<u>9,271</u>
Subtotal Residential Units	14,432	11,856	14,020	16,754	13,189
Number of Non-Residential Units ⁽⁸⁾	1	0	512	504	81
Miscellaneous Residential Units ⁽⁹⁾	5,014	3,017	4,664	6,320	6,272
Miscellaneous Non-Residential Units ⁽¹⁰⁾	475	257	480	46	164
Total Units	19,922	15,130	19,676	23,624	19,706

(1) In millions of dollars. "Valuation" represents the total valuation of all construction work for which the building permit is issued.

(2) Valuation of permits issued for Single-Family Dwellings, Duplexes, Apartment Buildings, Hotel/Motels, and Condominiums.

(3) Valuation of permits issued for Special Permits, Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures, Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence, Foundation Only, Grade – Non- Hillside, Certificates of Occupancy – Use of Land, Grading – Hillside.

(4) Valuation of permits issued for "Additions Creating New Units – Residential" and "Alterations Creating New Units – Residential."

(5) Valuation of permits issued for "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."

(6) Number of dwelling units permitted for Single-Family Dwellings and Duplexes.

(7) Number of dwelling units permitted for new Apartment Buildings, Hotel/Motels, and Condominiums.

(8) Number of dwelling units permitted for Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence.

(9) Number of dwelling units added includes "Addition Creating New Units – Residential" and "Alterations Creating New Units – Residential."

(10) Number of dwelling units added includes "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."

Source: City of Los Angeles, Department of Building and Safety.

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Education

The Los Angeles Unified School District (“LAUSD”), a separate government agency and one of the largest employers in the City, administers public instruction for kindergarten through 12th grade (“K-12”), adult, and occupational schools in the City and all or significant portions of a number of smaller neighboring cities and unincorporated areas. The LAUSD, which now encompasses approximately 710 square miles (making it significantly larger than the City at 470 square miles), was formed in 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960. The LAUSD is governed by a seven-member Board of Education, elected by the district to serve alternating four-year terms. There are also a number of charter and private K-12 schools located in the City.

There are many public and private colleges and universities located in the City. Major colleges and universities located within the City include the University of California at Los Angeles, the University of Southern California, California State University at Los Angeles, California State University at Northridge, Occidental College and Loyola Marymount University. There are seven community colleges located within the City operated by the Los Angeles Community College District.

APPENDIX C

DTC BOOK-ENTRY SYSTEM

The information in this Appendix C regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the Department takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series A Bonds. The Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series A Bonds, except in the event that use of the book-entry system for the Series A Bonds is discontinued.

To facilitate subsequent transfers, all Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be

requested by an authorized representative of DTC. The deposit of Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series A Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series A Bond documents. For example, Beneficial Owners of Series A Bonds may wish to ascertain that the nominee holding the Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Department as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, principal and interest payments on the Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Department or the Fiscal Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the Department, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series A Bonds at any time by giving reasonable notice to the Department or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Series A Bond certificates are required to be printed and delivered.

The Department may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series A Bond certificates will be printed and delivered to DTC.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

APPENDIX E
FORM OF BOND COUNSEL'S OPINION

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Department of Water and Power of the City of Los Angeles (the “Department”) in connection with the issuance of \$_____ aggregate principal amount of the Department’s Water System Revenue Bonds, 2025 Series A (the “Bonds”). The Bonds are being issued pursuant to Section 609 of The Charter of The City of Los Angeles (the “Charter”), relevant ordinances of the City of Los Angeles, California (the “City”), and Resolution No. 4591, adopted by the Board of Water and Power Commissioners of the City of Los Angeles (the “Board”) on February 6, 2001, as amended (the “Master Resolution”), as supplemented by Resolution No. 5064 adopted by the Board on [November 17], 2024 (the “Forty-First Supplemental Resolution”). The Master Resolution and the Forty-First Supplemental Resolution are collectively referred to herein as the “Bond Resolution.” The Department covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Department for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Department pursuant to, and as described in, Sections 3 and 4 hereof.

“Beneficial Owner” shall mean any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the Department, acting in its capacity as Dissemination Agent hereunder, or any other successor Dissemination Agent designated in writing by the Department.

“EMMA System” shall mean the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section (5)(b)(8) hereof, a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the one-year period ending on June 30 of each year or such other period of 12 months designated by the Department as its Fiscal Year.

“GASB” shall mean the Governmental Accounting Standards Board.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) hereof.

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

“Official Statement” shall mean the final official statement of the Department relating to the Bonds.

“Owner” shall mean a registered owner of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

“State” shall mean the State of California.

Section 3. Provision of Annual Reports.

(a) The Department shall, or shall cause the Dissemination Agent, if the Dissemination Agent is other than the Department, to, not later than 270 days following the end of each Fiscal Year of the Department (which Fiscal Year currently ends on June 30), commencing with the report for Fiscal Year 2024, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 hereof, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided that any audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year for the Department changes, the Department shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If in any year, the Department does not provide the Annual Report to the MSRB by the time specified above, the Department shall instead file a notice to the MSRB through the EMMA System stating that the Annual Report has not been timely completed and, if known, stating the date by which the Department expects to file the Annual Report.

(c) If the Dissemination Agent is not the Department, the Dissemination Agent shall:

1. file a report with the Department certifying that the Annual Report has been filed pursuant to this Disclosure Certificate and listing the date(s) of the filing(s); and
2. take any other actions mutually agreed to between the Dissemination Agent and the Department.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the Department’s Water System for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by GASB and all statements and interpretations issued by the Financial Accounting Standards Board which are not in conflict with the statements issued by GASB. If the Department’s Water System audited

financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update of the information contained in the table entitled “Water System-Selected Operating Information” under “OPERATING AND FINANCIAL INFORMATION-Summary of Operations” in the Official Statement, for the most recently completed Fiscal Year.

(c) An update of the information contained in the table entitled “Water System-Summary of Revenues, Expenses and Debt Service Coverage” under “OPERATING AND FINANCIAL INFORMATION-Financial Information” in the Official Statement for the most recently completed Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Department or related public entities, that have been submitted to the MSRB through the EMMA System.

Section 5. Reporting of Significant Events.

(a) The Department shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. An adverse tax opinion or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or
10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Department, any of which reflect financial difficulties;

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing

governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Department shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of the Owners of the Bonds;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
7. Appointment of a successor or additional trustee or the change of name of a trustee; or
8. Incurrence of a Financial Obligation of the Department, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Department, any of which affect security holders;

(c) The Department shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the Department obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Department shall determine if such event would be material under applicable federal securities laws.

(e) If the Department learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Department shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in Sections 5(a)(7) or 5(b)(3) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Bond Resolution.

(f) The Department intends to comply with the Listed Events described in Section 5(a)(10) and Section 5(b)(8) hereof, and the definition of “Financial Obligation” in Section 2 hereof, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Commission or its staff with respect the amendments to the Rule effected by the 2018 Release.

Section 6. Customarily Prepared and Public Information. Upon request, the Department shall provide to any person financial information and operating data regarding the Department which is customarily prepared by the Department and is publicly available at a cost not exceeding the reasonable cost of duplication and delivery.

Section 7. Termination of Obligation. The Department’s obligations under this Disclosure Certificate shall terminate upon the maturity, legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the Department with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the Department’s obligations hereunder shall terminate to a like extent. If such termination occurs prior to the final maturity of the Bonds, the Department shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 8. Dissemination Agent. The Department may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not any other designated dissemination agent, the Department shall be the dissemination agent. The initial dissemination agent shall be the Department.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Department may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. The Department shall give notice of any amendment in the same manner as for a Listed Event under Section 5(e) hereof.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Department from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Department chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Department shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Department to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Department to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Bond Resolution and the sole remedy under this Disclosure Certificate in the event of any failure of the Department to comply with this Disclosure Certificate shall be an action to compel performance. Under no circumstances shall any person or entity be entitled to recover monetary damages hereunder in the event of any failure of the Department to comply with this Disclosure Certificate.

No Owner or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Department satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Department shall have refused to comply therewith within a reasonable time.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. Any Dissemination Agent appointed hereunder shall have only such duties as are specifically set forth in this Disclosure Certificate, and shall have such rights, immunities and liabilities as shall be set forth in the written agreement between the Department and such Dissemination Agent pursuant to which such Dissemination Agent agrees to perform the duties and obligations of Dissemination Agent under this Disclosure Certificate.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Department, the Dissemination Agent, if any, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity. This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

Section 14. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Department shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Beneficial Owners of the Bonds shall retain all the benefits afforded to them hereunder. The Department hereby declares that it would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 15. Governing Law. This Disclosure Certificate was made in the City of Los Angeles and shall be governed by, interpreted and enforced in accordance with the laws of the State of California and the City of Los Angeles, without regard to conflict of law principles. Any litigation, action or proceeding to enforce or interpret any provision of this Disclosure Certificate or otherwise arising out of, or relating to this Disclosure Certificate, shall be brought, commenced or prosecuted in a State or Federal court in the County of Los Angeles in the State of California. By its acceptance of the benefits hereof, any person or entity bringing any such litigation, action or proceeding submits to the exclusive jurisdiction of the State of California and waives any defense of forum non conveniens.

Section 16. Electronic Signatures. Facsimile signatures or signatures scanned into .pdf (or signatures in another electronic format designated by the Department) and sent by e-mail shall be deemed original signatures.

IN WITNESS WHEREOF, the Department has executed this Disclosure Certificate this 1st day of _____, 2025.

DEPARTMENT OF WATER AND POWER OF
THE CITY OF LOS ANGELES

By: _____
Chief Financial Officer

APPENDIX G

GLOSSARY OF DEFINED TERMS

The following terms used in this Official Statement and not defined in the Bond Resolution (see “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—CERTAIN DEFINITIONS” for terms defined in the Bond Resolution) have the meanings specified in this Appendix G.

“AB850” means Assembly Bill 850, which was sponsored by the Department and was adopted by the State Legislature and signed by Governor Brown in October 2013, as amended by Assembly Bill 305, which was adopted by the State Legislature and signed by Governor Newsom in September 2019, and as further amended by Assembly Bill 758, which was adopted by the State Legislature and signed by Governor Newsom on September 23, 2021.

“Base Rates” means the base rates established under the Water Rate Ordinance.

“Base Rate Revenue Target Adjustment” means one of the Pass-Through Adjustments established under the Water Rate Ordinance.

“Bay-Delta” means the San Francisco Bay/Sacramento-San Joaquin River Delta.

“Board Action” means an action by a City commission or board.

“Bond Counsel” means Kutak Rock LLP, bond counsel to the Department for the Series A Bonds.

“California Aqueduct” means the approximately 444-mile Edmund G. Brown California Aqueduct that delivers Northern California water to Southern California.

“cfs” means cubic feet per second.

“Chromium 6” means hexavalent chromium.

“Civil Service System” means the Charter-established civil service system.

“Colorado River Aqueduct” means an aqueduct owned and operated by Metropolitan that delivers Colorado River water to Southern California.

“Department” means the Department of Water and Power of the City of Los Angeles.

“Department Investment Committee” means the Investment Committee for the Department’s Trust Funds, comprised of the City Controller, a Board member designated by the Board President, the General Manager and the Chief Financial Officer.

“Department of Water Resources” means the California Department of Water Resources.

“Division of Drinking Water” means the Division of Drinking Water of the State Water Resources Control Board.

“DTC” means The Depository Trust Company, New York, New York.

“EMMA” means the MSRB’s Electronic Municipal Market Access system.

“EPA” means the United States Environmental Protection Agency.

“Federal Surface Water Treatment Rule” means the Federal Surface Water Treatment Rule, issued by the EPA in 1989 under the Safe Drinking Water Act Amendments of 1986.

“Filtration Plant” means the Los Angeles Aqueduct Filtration Plant.

“First Los Angeles Aqueduct” means the Los Angeles Owens River Aqueduct, a 233-mile gravity-flow aqueduct from the Owens River, near the town of Independence, California to the City.

“GASB No. 68” means Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*.

“GBUAPCD” means the Great Basin Unified Air Pollution Control District.

“Healthcare Benefits” means the healthcare benefits the Department provides to its active and retired employees and their dependents.

“IBEW” means the International Brotherhood of Electrical Workers.

“Lead and Copper Rule” means the EPA regulations related to the control of lead and copper in drinking water.

“Los Angeles Aqueduct” means the First Los Angeles Aqueduct and the Second Los Angeles Aqueduct.

“Master Resolution” means Resolution No. 4591, adopted by the Board on February 6, 2001.

“Mayor’s Executive Directive” means the Executive Directive issued by Mayor Eric Garcetti on October 14, 2014, related to actions to be taken in response to drought conditions.

“Metropolitan” means the Metropolitan Water District of Southern California.

“MSRB” means the Municipal Securities Rulemaking Board.

“NHOU-1IR” means the North Hollywood Operable Unit Initial Interim Remedy.

“NHOU-2IR” means the North Hollywood Operable Unit Second Interim Remedy.

“OPA” means the City’s Office of Public Accountability.

“Owens Valley Regulatory Adjustment” means one of the Pass-Through Adjustments established under the Water Rate Ordinance.

“Pass-Through Adjustments” means the pass-through adjustments to provide revenues with respect to special categories of expenses under the Water Rate Ordinance.

“PCE” means perchloroethylene, also known as tetrachlorethene.

“Previous Water Rate Ordinance” means the Water Rate Ordinance that was replaced with the current Water Rate Ordinance that became effective on April 15, 2016.

“Proposition 1” means Proposition 1, also known as the “Water Quality, Supply and Infrastructure Improvement Act of 2014,” that was approved by the voters of the State on November 4, 2014.

“Proposition 218” means Proposition 218, also known as the “Right to Vote on Taxes Act,” that was approved by the voters of the State on November 5, 1996.

“PRPs” means potentially responsible parties.

“Ratepayer Advocate” means the Executive Director of the OPA.

“Retirement Plan” means the Water and Power Employees’ Retirement, Disability, and Death Benefit Insurance Plan, a retirement system of employee benefits and includes the Water and Power Employees’ Retirement Fund.

“SEC” means the United States Securities and Exchange Commission.

“Second Los Angeles Aqueduct” means the Second Los Angeles Owens River Aqueduct, a 137-mile aqueduct from Haiwee Reservoir, just south of Owens Lake to the City.

“Seismic Resilience Program” means the Department’s Water Seismic Resilience and Sustainability Program.

“Series A Bonds” means the Department of Water and Power of the City of Los Angeles Water System Revenue Bonds, 2023 Series A.

“State of Emergency” means a statewide drought state of emergency declaration by the Governor of the State.

“State Water Project” means the 550-mile water delivery system owned by the State and operated by the Department of Water Resources.

“State Water Resources Control Board” means the California State Water Resources Control Board.

“TCE” means trichloroethylene.

“Trust Funds Investment Policy” means the Department’s Trust Funds Investment Policy.

“Underwriters” means the underwriters listed on the front cover of this Official Statement.

“2020 UWMP” means the Department’s 2020 Urban Water Management Plan.

“Water Expense Stabilization Adjustment” means one of the Pass-Through Adjustments established under the Water Rate Ordinance.

“Water JPA” means Southern California Public Water Authority, a California joint powers authority.

“Water Quality Adjustment” means one of the Pass-Through Adjustments established under the Water Rate Ordinance.

“Water Rate Ordinance” means the City ordinance approving the rates and charges for water and water services provided by the Department. The current Water Rate Ordinance was enacted by the City Council on March 15, 2016 and became effective on April 15, 2016.

“Water Rates” means the rates for water and water services from the Water System as set forth in the Water Rate Ordinance.

“Water Revenue Adjustment” means one of the Pass-Through Adjustments that existed under the Previous Water Rate Ordinance. The Water Revenue Adjustment factor was replaced by the Base Rate Revenue Target Adjustment under the current Water Rate Ordinance.

“Water Supply Cost Adjustment” means one of the Pass-Through Adjustments established under the Water Rate Ordinance.

“Wells Fargo Credit Agreement” means the Second Amended and Restated Revolving Credit Agreement, dated as of May 25, 2023, between the Department and Wells Fargo Bank, National Association.