This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 4, 2025

NEW ISSUE – FULL BOOK-ENTRY-ONLY

RATINGS: **Moody's: "Aa2"**
Fitch: "AA-"
Kroll: "AA"
(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/B 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/B 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/B Bonds is exempt from present State of California personal income taxes. See "TAX MATTERS" herein.

DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES

Water System Revenue Bonds

$374,470,000* **2025 Series A**

$166,045,000* **2025 Series B**

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 refund the Refunded 2019 Series A Bonds and the Refunded 2021 Series A Bonds and pay certain costs of issuance of the Series A Bonds. The Department of Water and Power of the City of Los Angeles Water System Revenue Bonds, 2025 Series B (the "Series B Bonds," and together with the Series A Bonds, the "Series A/B Bonds") are being issued by the Department to provide funds to refund the Refunded 2001 Series B Bonds and pay certain costs of issuance of the Series B Bonds. See "PLAN OF REFUNDING" and "APPLICATION OF PROCEEDS."

Interest on the Series A/B Bonds is payable on each January 1 and July 1, commencing January 1, 2026.

The Series A/B Bonds will be dated their respective dates 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/B 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/B 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/B Bonds purchased. Principal of and interest on the Series A/B 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/B Bonds, as described herein. Beneficial Owners' rights will be governed as to such payments, the receipt of notices (including any notices of redemption) 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/B Bonds may be held through DTC, directly as a participant or indirectly through organizations that are participants in such system. See "APPENDIX C—DTC BOOK-ENTRY SYSTEM."

The Series A Bonds are subject to optional redemption prior to maturity as described herein. The Series B Bonds are not subject to redemption prior to maturity as described herein. See "THE SERIES A/B BONDS—Redemption of Series A Bonds" and "—No Redemption of Series B Bonds."

The Series A/B 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/B Bonds will not constitute or evidence an indebtedness of the City or be secured by any lien, security interest or other charge on any property of the City or the Department nor on the Water Revenue Fund, the revenues of the Water System, 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/B Bonds. See "SOURCE OF PAYMENT."

The Series A/B 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 (i) the Series A Bonds, in definitive form, will be available for delivery through the facilities of DTC, on or about September 2, 2025, and (ii) the Series B Bonds, in definitive form, will be available for delivery through the facilities of DTC, on or about September 23, 2025.

BofA Securities **Goldman Sachs & Co. LLC**

Barclays **Ramirez & Co., Inc.** **Siebert Williams Shank**

Stern Brothers **Stifel**

Date of Series A Official Statement:
Date of Series B Official Statement:

* Preliminary; subject to change.

MATURITY SCHEDULE*

$374,470,000*
Department of Water and Power of the City of Los Angeles
Water System Revenue Bonds
2025 Series A

Maturity Date (January 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP† No.
2030	$374,470,000				

$166,045,000*
Department of Water and Power of the City of Los Angeles
Water System Revenue Bonds
2025 Series B

Maturity Date (July 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP† No.
2031	$30,075,000				
2032	31,520,000				
2033	33,160,000				
2034	34,785,000				
2035	36,505,000				

* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Department, the Underwriters or their agents or counsel assume responsibility for the selection, accuracy or uses of such numbers, and no representation is made as to their correctness on the applicable Series A/B Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series A/B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series A/B Bonds.

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*
John A. Smith, *Chief Administrative Officer*
Ann M. Santilli, *Chief Financial Officer*
Anselmo G. Collins, *Senior Assistant General Manager – Water System*
Andrew Virzi III, *Assistant Chief Financial Officer and Controller*
John Equina, *Chief Accounting Employee; 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 Counsel and Disclosure Counsel

Kutak Rock LLP

Municipal Advisor	*Fiscal Agent for Payment*
Public Resources Advisory Group	Treasurer of the City of Los Angeles

Verification Agent

Samuel Klein and Company,
Certified Public Accountants

No dealer, broker, salesperson or other person has been authorized by the Department or any Underwriter for the Series A/B 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/B 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/B Bonds.

The Underwriters may offer and sell Series A/B 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/B 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/B Bonds have not been registered or qualified under the securities laws of any state.

TABLE OF CONTENTS

Page

INTRODUCTION....1
- The Department....1
- Authority for Issuance....1
- Purpose of Series A/B Bonds....2
- Source of Payment for the Series A/B Bonds....2
- Water System....2
- Rate Covenant....2
- Parity Debt Obligations....2
- Continuing Disclosure....3
- Los Angeles 2025 Wildfire Event....3
- Other Matters....5
- Department Website and Social Media Accounts....5

THE MASTER RESOLUTION....5
PLAN OF REFUNDING....6
- Refunding of Refunded 2019 Series A Bonds and Refunded 2021 Series A Bonds....6
- Refunding of Refunded 2001 Series B Bonds....7

APPLICATION OF PROCEEDS....8
THE SERIES A/B BONDS....9
- General....9
- DTC Book-Entry System....9
- Redemption of Series A Bonds....9
- No Redemption of Series B Bonds....10

SOURCE OF PAYMENT....11
- Special Obligations of Department....11
- Water Revenue Fund....11
- Rate Covenant....11
- Additional Parity Obligations....11
- Subordinated Obligations....12
- Expense Stabilization Fund....12
- Other Covenants....12

THE DEPARTMENT....13
- General....13
- Charter Provisions....13
- Board of Water and Power Commissioners....13
- Management of the Department....15
- Employees....17
- Retirement and Other Benefits....17
- Transfers to the City....21
- Insurance....21
- Investment Policy and Controls....23

WATER RATES....26
- Water Rate Ordinance....26
- Water Rates Between Fiscal Years 2019-20 and 2023-24....28
- Procedures for Changes to the Water Rate Ordinance....29
- Board Adopted Financial Planning Criteria....32
- Rate Covenant....33
- Billing and Collections....33

THE WATER SYSTEM....35
- Inception of Water System....35
- Origins of the Los Angeles Aqueduct System; Recent Events Affecting the Los Angeles Aqueduct System....35
- Origins of Metropolitan....36
- Distribution System....36
- Storage....37
- Water Treatment Facilities....38

WATER SUPPLY....40
- Sources of Water Supply....40
- Los Angeles Aqueduct - Owens Valley and Mono Basin....42
- The Metropolitan Water District of Southern California....43
- Local Groundwater....44
- Recycled Water....47
- Water Conservation Actions Taken in Response to Droughts; Water Rate Adjustments During Droughts....48
- Meeting Future Customer Needs....51

WATER SYSTEM INFRASTRUCTURE PROGRAM....54
- Asset Management....54
- Pipeline Replacement Program....56
- Seismic Strengthening of Facilities....57
- Projected Capital Improvements....58

OPERATING AND FINANCIAL INFORMATION....61
- Summary of Operations....61
- Financial Information....63
- Outstanding Indebtedness....64

FACTORS AFFECTING THE DEPARTMENT AND THE WATER UTILITY INDUSTRY....66
- Owens Valley and Mono Basin Environmental Commitments....66
- Groundwater System Challenges and Remediation Efforts....69
- California Safe Drinking Water Act of 1996....71
- Federal Safe Drinking Water Act Amendments of 1996....72
- Surface Water Treatment....72
- Disinfection Byproduct Rule....73
- Lead and Copper Rule....73
- Fluoride....74
- Radon....74
- Ground Water Rule....74
- Drinking Water Source Assessment Program....75
- Potential Issues Relating to Water Quality....75
- Security....76

CERTAIN INVESTMENT CONSIDERATIONS....76
- Special Obligations....77
- Costs of Capital Improvement Program; Increased Water Rates....77
- Rate-Setting Process Under Proposition 218; Other Voter Initiatives....78
- Statutory and Regulatory Compliance....78
- Risks Relating to the Water Supply and Sufficiency of Water Supply....79
- California State Water Legislation....85
- Limitations on Remedies; Effect of City Bankruptcy....86
- Secondary Market....88
- Global Health Emergencies; COVID-19 Pandemic....88

LITIGATION....88
- Litigation Against the City and the Department Related to the Los Angeles 2025 Wildfire Event....88
- Other Matters Related to the Water System....89

CERTAIN LEGAL MATTERS....90
TAX MATTERS....91
- General....91
- Tax Treatment of Original Issue Premium....91
- Tax Treatment of Original Issue Discount....92
- Backup Withholding....92
- Changes in Federal and State Law....93

RATINGS....93
CONTINUING DISCLOSURE....93
UNDERWRITING OF THE SERIES A/B BONDS....94
- Series A Bonds....94

Series B Bonds 94
General Information Relating to Underwriters 94
MUNICIPAL ADVISOR 95
INDEPENDENT AUDITORS 95
VERIFICATION OF MATHEMATICAL COMPUTATIONS 95
Refunded 2019 Series A Bonds and Refunded 2021 Series A Bonds 95
Refunded 2001 Series B Bonds 96
MISCELLANEOUS 96

APPENDIX A	FINANCIAL STATEMENTS
APPENDIX B	DEMOGRAPHIC AND ECONOMIC INFORMATION FOR THE CITY OF LOS ANGELES
APPENDIX C	DTC BOOK-ENTRY SYSTEM
APPENDIX D	SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION
APPENDIX E	FORM OF BOND COUNSEL'S OPINIONS
APPENDIX F	FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX G	GLOSSARY OF DEFINED TERMS

OFFICIAL STATEMENT

Department of Water and Power of the City of Los Angeles
Water System Revenue Bonds

$374,470,000*	**$166,045,000***
2025 Series A	**2025 Series B**

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 (a) Water System Revenue Bonds, 2025 Series A (the "Series A Bonds"), and (b) Water System Revenue Bonds, 2025 Series B (the "Series B Bonds," and together with the Series A Bonds, the "Series A/B 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/B 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 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. 5071, adopted by the Board on July 8, 2025 (the "Forty-Second Supplemental Resolution"). The Series B Bonds are being issued pursuant to Section 609 of the Charter, relevant ordinances of the City and the Master Resolution, as supplemented by Resolution No. 5073, adopted by the Board on July 8, 2025 (the "Forty-Third Supplemental Resolution"). The Master Resolution, the Forty-Second Supplemental Resolution and the Forty-Third Supplemental Resolution are collectively referred to in this Official Statement as the "Bond Resolution." See "THE SERIES A/B BONDS" and Appendix D.

* Preliminary; subject to change.

Purpose of Series A/B Bonds

The Department is issuing the Series A Bonds to provide funds to refund the Refunded 2019 Series A Bonds (as defined herein) and the Refunded 2021 Series A Bonds (as defined herein) and pay certain costs of issuance of the Series A Bonds. The Department is issuing the Series B Bonds to provide funds to refund the Refunded 2001 Series B Bonds (as defined herein) and pay certain costs of issuance of the Series B Bonds. See "PLAN OF REFUNDING" and "APPLICATION OF PROCEEDS."

Source of Payment for the Series A/B Bonds

The Series A/B 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/B Bonds do not constitute or evidence an indebtedness of the City nor are they secured by any lien, security interest or other charge on any property of the City or the Department or on the Water Revenue Fund, the revenues of the Water System, 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/B 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/B 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/B 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 August 1, 2025, the Department had approximately $6.51 billion in principal amount of debt outstanding payable from the Water Revenue Fund, comprised of approximately $5.79 billion of revenue bonds (including the Refunded 2001 Series B Bonds, the Refunded 2019 Series A Bonds and the Refunded 2021 Series A Bonds (as each are defined herein)), $722.5 million of loans provided to the Department by the California State Water Resources Control Board (the "State Water Resources Control Board"), and a $2.9 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/B Bonds. The Department has a significant infrastructure program and intends to issue Additional Parity Obligations (consisting of additional Water System Revenue 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/B 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.

Los Angeles 2025 Wildfire Event

Beginning on January 7, 2025, a severe fire fueled by windstorms originated in the Pacific Palisades neighborhood (the "Palisades Fire") of Los Angeles County, which is part of the City. On January 7, 2025, the Mayor declared a local emergency throughout the City and the Governor of California proclaimed a State of Emergency with respect to the Palisades Fire. According to the California Department of Forestry and Fire Protection, almost 24,000 acres were burned in the Palisades Fire, with an estimate of more than 7,800 structures damaged or destroyed in the affected areas, as well as the loss of several lives.

As a result of such declarations and subsequent federal action, funding from the Federal Emergency Management Agency ("FEMA") is generally available to the City with respect to its recovery efforts, including for certain costs of restoring facilities damaged as a result of the disaster to their pre-disaster condition, and to those affected by the Palisades Fire.

The City is also pursuing cash flow loans in accordance with recently enacted Assembly Bill No. 100 that allows for the Governor's Office of Emergency Services ("CalOES") to provide zero interest loans for FEMA reimbursable work, to be repaid by funding from FEMA as work is completed and submitted to FEMA for reimbursements. The City submitted a request to CalOES on May 26, 2025 and anticipates submission of loan requests on a rolling basis.

The Department has estimated the costs of damage to Water System facilities and infrastructure from the Palisades Fire to be approximately $15 million as of April 2025. Additionally, approximately $8 million of costs related to windstorm damage was incurred. This estimate is inclusive of physical damages to Water System facilities, which largely consists of damage to water meters and infrastructure related to the Santa Ynez and Pacific Palisades Reservoirs and an increase in operating expenses of the Water System primarily related to overtime for field crews and other support staff and increased materials and equipment costs associated with repairs of the damaged infrastructure. These estimates are preliminary and are expected to change as the damage assessment and recovery efforts continue and developments occur. The longer term impacts or changes to the costs, expenses or capital improvement plans of the Department as a result of the fires are not yet known.

To alleviate financial burdens for people impacted by the Palisades Fire, the Department has paused billing for customers whose homes or businesses have been damaged or destroyed by the fire until September 5, 2025. In addition, collection processes and disconnections for non-payment have been

suspended until December 31, 2025 in the affected areas. The impacted areas represent approximately 1.1% of the Department's Water System customer accounts and approximately 1.2% of annual Water System water sales revenues. Service has been restored to nearly all homes and businesses in the affected areas that are able to receive water service.

The City's process for recovering from the Palisades Fire is still in the early stages. The City continues to focus on debris removal and assessing the immediate financial impact of the Palisades Fire. There also may be long-term impacts of the Palisades Fire on the City's fiscal condition and the local economy.

Multiple lawsuits have been filed (and additional lawsuits continue to be filed) against the City and the Department by property owners whose properties were damaged in the Palisades Fire. All of the Complaints bring claims under the doctrine of inverse condemnation. The doctrine of inverse condemnation is a "takings clause" cause of action under the State and federal constitutions that entitles property owners to just compensation if their private property is damaged by a public use. California courts have imposed liability on public agencies in legal actions brought by private property holders for damages, where the inherent risks in the public agency's infrastructure, as deliberately designed, constructed or maintained, are determined to be a substantial cause of damage to the property. A number of the Complaints also bring various tort claims, including negligence and vicarious liability, negligence per se, dangerous condition of public property, breach of mandatory duty, trespass, private nuisance, public nuisance, negligent infliction of emotional distress, and inference with prospective economic advantage. Certain other plaintiffs have indicated that they intend to bring tort claims as well.

The existing lawsuits, as of July 29, 2025, consist of a number of state court actions (approximately 63 cases) filed on behalf of approximately 2,100 individual plaintiffs, including two cases filed as putative class actions on behalf of an individual and all those similarly situated that seeks to certify as a class all individuals and entities in the areas impacted by the Palisades Fire who suffered property damage, loss of use, evacuation, or other harm as a result of the Palisades Fire. The cases are pending in the Los Angeles Superior Court. The plaintiffs in the lawsuits generally allege, among other things, that: (1) the Department failed to properly maintain its water system for the purpose of fighting fires (and specifically that it failed to properly maintain the Santa Ynez Reservoir and, in certain of such cases, the Chautauqua Reservoir), (2) the Department chose to design its water system for urban use, not to fight wildfires, (3) after the fire ignited, the Department failed to de-energize its distribution and transmission electrical facilities, which resulted in its overhead power lines arcing and power poles breaking, causing additional fires, and (4) the Palisades Fire was foreseeable in light of data about the history of fires in the area, current fire risk and weather. Many of the lawsuits allege that Department Power System facilities caused secondary ignitions in the Palisades. The plaintiffs are seeking compensation for damages including, but not limited to, lost or damaged property, lost income or wages, and attorney's fees, and in certain of the cases loss of use/marketability of property, emotional distress, and punitive damages. The pending class action seeks certain injunctive relief as well as monetary damages. Most of the filed lawsuits do not contain a specific dollar amount, although one of the pending class actions asserts a damages figure of greater than $10 billion. The cases are not yet at a stage where it is possible to reasonably estimate the potential ultimate financial exposure to the City or the Department.

The City and the Department intend to vigorously defend against these lawsuits, and any others that may be filed. The City and the Department are unable to assess at this time whether additional claims will be asserted by the plaintiffs, the likelihood of success of the plaintiffs' cases or any possible outcome. There can be no assurances that additional causes of action will not be asserted by the current plaintiffs, or additional litigation will not be brought by other plaintiffs whose properties were damaged in the Palisades Fire.

See also "LITIGATION" for a discussion of this litigation and the status thereof.

A number of investigations and reviews of the fire events and of local agency preparation and response actions are being undertaken, including an independent review at the direction of the Governor, an investigation and after-incident review by the Los Angeles Fire Commission, and reviews and investigations by other federal, State and local agencies.

The federal Bureau of Alcohol, Tobacco, Firearms and Explosives ("ATF") is leading an investigation into the cause of the Palisades Fire, and such investigation is ongoing. The Department has provided information to the ATF and other agencies in connection with their investigations. The ATF has examined the Department's overhead transmission facilities that are near, but outside of, the area where the Palisades Fire reportedly ignited. To the present date, neither the ATF nor any other investigating authority has issued a cause and origin report identifying the source of the Palisades Fire, and no investigating authority has indicated that the Power System facilities were involved in the ignition of the Palisades Fire or have asked the Department to preserve any of its electrical facilities in the area.

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/B Bonds.

THE MASTER RESOLUTION

The Master Resolution provides for the issuance of Bonds, including the Series A/B Bonds, payable from the Water Revenue Fund and provides certain terms and conditions which will apply to all such Bonds, including the Series A/B Bonds. The Series A Bonds are to be issued pursuant to the Master Resolution, as supplemented by the Forty-Second Supplemental Resolution, and the Series B Bonds are to be issued pursuant to the Master Resolution, as supplemented by the Forty-Third 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, the Forty-Second Supplemental Resolution and the Forty-Third Supplemental Resolution, see Appendix D.

PLAN OF REFUNDING

Refunding of Refunded 2019 Series A Bonds and Refunded 2021 Series A Bonds

A portion of the proceeds of the Series A Bonds, along with certain moneys to be contributed by the Department, will be used to refund all or a portion of the Department's outstanding (i) Water System Variable Rate Demand Revenue Bonds, 2019 Series A, Subseries A-1 (the "Subseries 2019A-1 Bonds"), which are currently outstanding in the aggregate principal amount of $130,000,000, (ii) Water System Variable Rate Demand Revenue Bonds, 2019 Series A, Subseries A-2 (the "Subseries 2019A-2 Bonds"), which are currently outstanding in the aggregate principal amount of $70,000,000, (iii) Water System Variable Rate Demand Revenue Bonds, 2021 Series A, Subseries A-1 (the "Subseries 2021A-1 Bonds"), which are currently outstanding in the aggregate principal amount of $100,000,000, and (iv) Water System Variable Rate Demand Revenue Bonds, 2021 Series A, Subseries A-2 (the "Subseries 2021A-2 Bonds"), which are currently outstanding in the aggregate principal amount of $100,000,000. The specific principal amount, if any, of the outstanding Subseries 2019A-1 Bonds (the "Refunded Subseries 2019A-1 Bonds"), Subseries 2019A-2 Bonds (the "Refunded Subseries 2019A-2 Bonds," and together with the Refunded Subseries 2019A-1 Bonds, the "Refunded 2019 Series A Bonds"), Subseries 2021A-1 Bonds (the "Refunded Subseries 2021A-1 Bonds"), and/or Subseries 2021A-2 Bonds (the "Refunded Subseries 2021A-2 Bonds," and together with the Refunded Subseries 2021A-1 Bonds, the "Refunded 2021 Series A Bonds") that will be refunded will be determined by the Department at the time the Department and the Series A Underwriters (as defined herein) sign the Series A Contract of Purchase (as defined herein). The following table details the Refunded 2019 Series A Bonds and the Refunded 2021 Series A Bonds that may be refunded. The refunding of the Refunded 2019 Series A Bonds and/or the Refunded 2021 Series A Bonds is subject to market conditions.

Refunded 2019 Series A Bonds and Refunded 2021 Series A Bonds [*]

Subseries	Maturity Date (July 1)	Outstanding Principal Amount	Principal Amount Redeemed	CUSIP Number[1]	Redemption Date
2019A-1	2049	$130,000,000		544525YN2	September 2, 2025
2019A-2	2045	70,000,000		544525YL6	September 2, 2025
2021A-1	2050	$100,000,000		544525A81	September 2, 2025
2021A-2	2051	100,000,000		544525A65	September 2, 2025
Total Refunded Amount:					

[*] Preliminary; subject to change.

[1] CUSIP numbers are provided only for the convenience of the reader. Neither the Department nor the Underwriters undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.

A portion of the proceeds of the Series A Bonds, along with certain moneys to be contributed by the Department, will be deposited with the U.S. Bank Trust Company, National Association, as Paying Agent for the Refunded 2019 Series A Bonds (the "2019A Paying Agent"), and will be used on September 2, 2025 to pay the redemption price of the Refunded 2019 Series A Bonds (100% of the principal amount of the Refunded 2019 Series A Bonds to be redeemed), and accrued interest thereon. Upon delivery of the Series A Bonds, Samuel Klein and Company, Certified Public Accountants, independent certified public accountants (the "Verification Agent"), will deliver a report stating that the firm has verified the mathematical accuracy of the computations relating to the adequacy of the amounts to be deposited with the 2019A Paying Agent to pay the redemption price of the Refunded 2019 Series A Bonds, and accrued

interest thereon, on September 2, 2025. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

A portion of the proceeds of the Series A Bonds, along with certain moneys to be contributed by the Department, will be deposited with the U.S. Bank Trust Company, National Association, as Paying Agent for the Refunded 2021 Series A Bonds (the "2021A Paying Agent"), and will be used on September 2, 2025 to pay the redemption price of the Refunded 2021 Series A Bonds (100% of the principal amount of the Refunded 2021 Series A Bonds to be redeemed), and accrued interest thereon. Upon delivery of the Series A Bonds, the Verification Agent will deliver a report stating that the firm has verified the mathematical accuracy of the computations relating to the adequacy of the amounts to be deposited with the 2021A Paying Agent to pay the redemption price of the Refunded 2021 Series A Bonds, and accrued interest thereon, on September 2, 2025. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Refunding of Refunded 2001 Series B Bonds

A portion of the proceeds of the Series B Bonds, along with certain moneys to be contributed by the Department, will be used to refund all or a portion of the Department's outstanding (i) Water System Variable Rate Demand Revenue Bonds, 2001 Series B, Subseries B-1 (the "Subseries 2001B-1 Bonds"), which are currently outstanding in the aggregate principal amount of $49,100,000, (ii) Water System Variable Rate Demand Revenue Bonds, 2001 Series B, Subseries B-2 (the "Subseries 2001B-2 Bonds"), which are currently outstanding in the aggregate principal amount of $49,100,000, (iii) Water System Variable Rate Demand Revenue Bonds, 2001 Series B, Subseries B-3 (the "Subseries 2001B-3 Bonds"), which are currently outstanding in the aggregate principal amount of $28,000,000, and (iv) Water System Variable Rate Demand Revenue Bonds, 2001 Series B, Subseries B-4 (the "Subseries 2001B-4 Bonds"), which are currently outstanding in the aggregate principal amount of $56,100,000. The specific principal amount, if any, of the outstanding Subseries 2001B-1 Bonds (the "Refunded Subseries 2001B-1 Bonds"), Subseries 2001B-2 Bonds (the "Refunded Subseries 2001B-2 Bonds"), Subseries 2001B-3 Bonds (the "Refunded Subseries 2001B-3 Bonds"), and/or Subseries 2001B-4 Bonds (the "Refunded Subseries 2001B-4 Bonds," and collectively with the Refunded Subseries 2001B-1 Bonds, the Refunded Subseries 2001B-2 Bonds and the Refunded Subseries 2001B-3 Bonds, the "Refunded 2001 Series B Bonds") that will be refunded will be determined by the Department at the time the Department and the Series B Underwriters (as defined herein) sign the Series B Contract of Purchase (as defined herein). The following table details the Refunded 2001 Series B Bonds that may be refunded. The refunding of the Refunded 2001 Series B Bonds is subject to market conditions.

[Remainder of page intentionally left blank]

Refunded 2001 Series B Bonds*

Subseries	Maturity Date (July 1)	Outstanding Principal Amount	Principal Amount Redeemed	CUSIP Number[1]	Redemption Date
B-1	2035	$49,100,000		544525DA3	October 1, 2025
B-2	2035	49,100,000		544525DB1	October 1, 2025
B-3	2035	28,000,000		544525DC9	October 1, 2025
B-4	2035	56,100,000		544525DD7	October 1, 2025
	Total Refunded Amount:				

* Preliminary; subject to change.

[1] CUSIP numbers are provided only for the convenience of the reader. Neither the Department nor the Underwriters undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.

A portion of the proceeds of the Series B Bonds, along with certain moneys to be contributed by the Department, will be deposited in an escrow fund for the Refunded 2001 Series B Bonds (the "Series 2001B Escrow Fund") to be established under the terms of an escrow agreement between the Department and U.S. Bank Trust Company, National Association, as escrow agent. Amounts deposited into the Series 2001B Escrow Fund will be used to (i) purchase any Refunded 2001 Series B Bonds tendered between the date of delivery of the Series B Bonds and the redemption date of the Refunded 2001 Series B Bonds, and (ii) redeem the Refunded 2001 Series B Bonds (not otherwise tendered and purchased) on October 1, 2025 at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon. Upon delivery of the Series B Bonds, the Verification Agent will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts to be deposited to the Series 2001B Escrow Fund, to purchase any Refunded 2001 Series B Bonds that are tendered by bondholders, and pay on October 1, 2025 the redemption price of the Refunded 2001 Series B Bonds (at a redemption price of 100% of the principal amount thereof), plus accrued interest thereon. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

APPLICATION OF PROCEEDS

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

	Series A Bonds	Series B Bonds	Total
Sources of Funds			
Principal Amount	$	$	$
Original Issue Premium/(Discount)			
Total Sources	$	$	$
Uses of Funds			
Refunding of Refunded 2019 Series A Bonds	$	$	$
Refunding of Refunded 2021 Series A Bonds			
Refunding of Refunded 2001 Series B Bonds			
Costs of Issuance, including Underwriters' Discount			
Total Uses	$	$	$

THE SERIES A/B BONDS

General

The Series A Bonds will be dated their date of delivery (September 2*, 2025) 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. The Series B Bonds will be dated their date of delivery (September 23*, 2025) 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 on the Series A/B Bonds 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 January 1, 2026.

DTC Book-Entry System

The Series A/B Bonds will be issued as book-entry bonds, in fully registered form. The Series A/B 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/B Bonds. Individual purchases of interests in Series A/B Bonds will be made in the principal amount of $5,000 or any integral multiple thereof. Principal of and interest on the Series A/B 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/B 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/B 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/B Bonds. In the event that a book-entry system with respect to the Series A/B Bonds is discontinued, the Department will execute and deliver replacement Series A/B Bonds in the form of registered certificates. In addition, the following provisions would apply: the principal of the Series A/B 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/B 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/B Bonds as of the applicable Record Date. The Series A/B 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 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 July 1, 2029*, at a redemption price equal to the principal amount to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

* Preliminary; subject to change.

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 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 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-Second Supplemental Resolution and will bear interest and to be subject to further calls for redemption as provided in the Master Resolution and the Forty-Second 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 are to be redeemed, the Fiscal Agent will select the Series A Bonds 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 held in the DTC book-entry system are to be redeemed, the Series A Bonds to be redeemed will be selected as provided in the DTC procedures. See Appendix C.

No Redemption of Series B Bonds.

The Series B Bonds <u>will not</u> be subject to redemption prior to maturity.

SOURCE OF PAYMENT

Special Obligations of Department

The Series A/B 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/B Bonds will not constitute or evidence an indebtedness of the City or be secured by any lien, security interest or other charge on any property of the City or the Department nor on the Water Revenue Fund, the revenues of the Water System, or 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/B Bonds.

Water Revenue Fund

The principal of and interest on the Bonds, including the Series A/B 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/B 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/B 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/B 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/B 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 May 31, 2025, there was approximately $59.8 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-Second Supplemental Resolution and the Forty-Third Supplemental Resolution are expected to become final on August 8, 2025.

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 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.

JOHN A. SMITH, *Chief Administrative Officer*. Mr. Smith was named Chief Administrative Officer of the Department on July 1, 2024. In this capacity he oversees 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 has 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 37 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 33 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.

ANDREW VIRZI III, *Assistant Chief Financial Officer and Controller*. Mr. Virzi was named Assistant Chief Financial Officer and Controller of the Department in December 2024 after serving as the Assistant Retirement Plan Manager for the Water and Power Employees Retirement Plan since May 2024. He previously served as the Manager of Accounts Payable, Taxes and Travel from December 2021 through May 2024. Prior to that, Mr. Virzi was the Manager of Cost of Service from July 2019 through December 2021. He has over 14 years of experience with the Department, beginning his career in August 2010. Mr. Virzi holds a bachelor's degree in accounting from California State University, Northridge and holds a master's degree in business administrations from Pepperdine University. He is a certified public accountant in the State.

JOHN EQUINA, *Chief Accounting Employee and Assistant Auditor*. Mr. Equina was named Chief Accounting Employee and Assistant Auditor of the Department in May 2025. He also serves as the Assistant Chief Financial Officer and Treasurer of the Department and the Director of Finance and Risk Control Division, roles to which he was named in March 2025. Before serving in these roles, Mr. Equina served as the Assistant Director of Finance and Risk Control Division of the Department since March 2021. He has over 20 years of financial management experience in debt management, risk control, accounting, and auditing. Mr. Equina holds a bachelor's degree in accounting from San Beda University in the

Philippines. He also has a master's degree in business administration from Pepperdine University. Mr. Equina is a certified public accountant in the State.

Employees

As of May 31, 2025, the Department assigned approximately 2,302 Department employees to the Water System on a full time basis. Approximately 4,583 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 14 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 approximately 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 31% 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, 2025 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 $137 million in Fiscal Year 2023-24 (as part of a total Department contribution of approximately $432 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 ended June 30, 2025, the Department budgeted a contribution of approximately $139 million to be paid from the Water Revenue Fund to the Retirement Plan (as part of a total Department budgeted contribution of approximately $435 million). For the Fiscal Year ending June 30, 2026, the Department has budgeted a contribution of approximately $115 million to be paid from the Water Revenue Fund to the Retirement Plan (as part of a total Department budgeted contribution of approximately $358 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 October 1, 2024, as of July 1, 2024, the market value of the assets in the Retirement Plan was approximately $17.8 billion, which results in an unfunded actuarial accrued liability (based on the market value of assets) of approximately $214.0 million; the actuarial value of the assets in the Retirement Plan as of such date was approximately $17.6 billion, which would result in an unfunded actuarial accrued liability (based on the actuarial value of assets) of approximately $426.2 million. As of July 1, 2024, the Retirement Plan had an unrecognized investment gain of approximately $212.0 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 gain 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 decrease from approximately 28.0% of total Department covered payroll to approximately 26.6% of total Department covered payroll. Additionally, if the net deferred gain 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 increase from approximately 97.6% to approximately 98.8%.

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 ended June 30, 2025 were set based on the asset values as of June 30, 2024. 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 the end of the reciprocity agreement is not expected to have a material adverse impact on the Department or the Retirement Plan. According to a study of the proposed benefits of Tier 2, which was completed by The Segal Company on October 24, 2013, the estimated amount of contribution required to fund the benefit allocated to the current year of service (the "Normal Cost"), as a percentage of payroll, was 5.61% for Tier 2 (as compared to 16.35% for Tier 1), and the new tier of benefits was projected to generate a present value savings of $877 million over 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 October 1, 2024, the estimated contribution for Fiscal Year 2024-25 required to fund the benefit allocated to the Normal Cost, as a percentage of payroll, was 11.29% for Tier 2 (as compared to 21.13% for Tier 1). As of the July 1, 2024 actuarial valuation report, 58% of active Department members were covered under Tier 2.

Other Postemployment Benefits ("OPEB"). The Department provides certain healthcare benefits (the "Healthcare Benefits") and death benefits to active and retired employees and their dependents. These OPEB Benefits are more particularly described in "Note (8) Other Postemployment Benefits 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 $38.1 million in Fiscal Year 2023-24 (as part of a total Department contribution of approximately $110.3 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 ended June 30, 2025, the Department budgeted approximately $44.8 million to be paid from the Water Revenue Fund for Healthcare Benefits (with the total Department paying approximately $131.7 million).

For the Fiscal Year ending June 30, 2026, the Department has budgeted approximately $49.6 million to be paid from the Water Revenue Fund for Healthcare Benefits (with the total Department paying approximately $145.8 million).

The Department also has made, and will continue to make 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 October 31, 2024, as of June 30, 2024, 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 $76.1 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 $28.8 million. As of June 30, 2024, the Healthcare Benefits had unrecognized investment gains of approximately $47.3 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, 2024, the ratio of the actuarial value of assets to actuarial accrued liabilities decreased from 114.16% as of June 30, 2023 to 100.90% as of June 30, 2024. On a market value of assets basis, the funded ratio decreased from 113.17% as of June 30, 2023 to 102.38% as of June 30, 2024. The unfunded actuarial accrued liability (on an actuarial value of assets basis) decreased from a surplus of $371.7 million as of June 30, 2023 to a surplus of $28.8 million as of June 30, 2024.

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% as of June 30, 2022 to 114.16% as of June 30, 2023. On a market value of assets basis, the funded ratio increased from 104.95% as of June 30, 2022 to 113.17% as of June 30, 2023. The unfunded actuarial accrued liability (on an actuarial value of assets basis) increased from a surplus of $180.0 million as of June 30, 2022 to a surplus of $371.7 million as of June 30, 2023.

Contribution requirements for the Fiscal Year ended June 30, 2025 were set based on the asset values as of June 30, 2024. Significant losses in market value or the failure to achieve projected investment returns could increase unfunded pension liabilities for Healthcare Benefits and future contribution requirements. However, the Healthcare Benefits 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.

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 January 1, 2014, the Board approved a new tier for new Retirement Plan members called "Tier 2." Tier 2 provides reduced retiree healthcare benefits. According to a study of the proposed OPEB for Tier 2 employees of the Department, which was completed by The Segal Company on November 8, 2013, the estimated Normal Cost, as a percentage of payroll, was 2.63% for Tier 2 (as compared to 4.33% for Tier 1), and the new tier of benefits was projected to generate a present value savings of $136.5 million over 30 years (based on the 7.75% assumed rate of investment return on the OPEB plan's assets, which was in effect when Tier 2 was approved). According to the latest actuarial valuation and review of the Healthcare Benefits, which was completed by The Segal Company on October 31, 2024, for Fiscal Year 2024-25 the Normal Cost, as a percentage of payroll, is estimated to be 5.83% for Tier 2 (as compared to 5.04% for Tier 1).

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 $76.9 million comprised of $112.1 million surplus of retiree medical and $35.2 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 generally consists of a combination of commercial insurance policies, a Wildfire Self-Insurance Trust Fund 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 $40 million, which includes 50% of co-insurance for the 2025-26 policy year (April 2025 to April 2026). 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 $40 million are additional layers of commercial liability insurance that provide an

additional $120 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 $106.25 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 $121.50 million of commercial wildfire insurance, totaling an insurance tower of $227.75 million.

To complement its overall wildfire insurance program, the Department augments and supports its wildfire coverage with a Wildfire Self-Insurance Trust Fund. The Wildfire Self Insurance Trust Fund was established in December 2024 to assist in the settlement of wildfire claims, and as of May 31, 2025, the Wildfire Self-Insurance Trust Fund had a balance of $45.90 million. Through the utilization of commercial insurance, the Wildfire Self-Insurance Trust Fund and additional self-insurance, and trust funds, the wildfire insurance program currently has a total limit of $273.65 million available for wildfire losses.

In addition to the excess general liability insurance programs, the Department continues to maintain a bona fide program of self-insurance as well. As of May 31, 2025, the portion of the Water Revenue Fund set aside for self-insurance had a balance of approximately $30.8 million in a restricted cash account. The Water Revenue self-insurance fund is specific to the Water Division and is primarily designed to cover a large catastrophic event that could affect the Water Division operations (e.g., liability for a large wildfire). The Department annually reviews the amount retained for self-insurance and may adjust such amount if it deems such adjustment appropriate.

Going forward, the Department will continue to consider any available coverage options in the market, including procuring a wildfire Catastrophe Bond ("CAT Bond") as a part of its insurance program, when it determines beneficial, in order to ensure that the Department is adequately protected against catastrophic liability events and wildfires. CAT Bonds are intended to cover a portion of any large claim for a fire event during the coverage period that might exceed the self-insurance and commercial insurance coverage. CAT Bonds are multi-year issuances and pay out based on a catastrophic fire 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. The Department's most recent CAT Bond, which was in the amount of $31.5 million with an attachment point of $125 million, expired in September 2024.

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 exceeds $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 $59.8 million (investments at fair market value) was on deposit as of May 31, 2025. 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.

The following table describes the investments held in the Expense Stabilization Fund as of May 31, 2025.

WATER EXPENSE STABILIZATION FUND
INVESTMENTS
ASSETS AS OF May 31, 2025
(Dollars in Thousands)
(Unaudited)

	Fair Market Value
U.S. Government Agencies	$44,981
Medium term corporate notes	9,790
Municipal obligations	1,447
Supranationals	994
Other state bonds and commercial paper	985
Commercial paper	985
Money market funds	493
Total*	$59,830

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 May 31, 2025, the Water System had approximately $546 million of unrestricted cash and approximately $105 million of restricted cash on deposit with the City. 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, 16% of the pool, as of June 30, 2024, had maturities less than one month and 35% of the pool, as of June 30, 2024, had maturities of one year or less.

[Remainder of page intentionally left blank]

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 June 30, 2024.

CITY OF LOS ANGELES POOLED INVESTMENT FUND
ASSETS AS OF JUNE 30, 2024
(Dollars in Thousands)
(Unaudited)

	Amount[1]	Percent of Total[1]	Water System Share[1,2]
U.S. Treasury Notes	$ 9,517,268	62.53%	$ 651,063
Medium-Term Notes	1,968,033	12.93	134,627
U.S. Agencies Securities	1,554,172	10.21	106,307
Commercial Paper	1,026,837	6.74	70,177
Short-Term Investment Funds	587,440	3.86	40,190
Asset-Backed Securities	243,131	1.60	16,659
Supranational	170,036	1.12	11,662
Negotiable Certificates of Deposit	138,406	0.91	9,475
Securities Lending Short-Term Repurchase Agreement	15,385	0.10	1,041
Total General and Special Pools[3]	**$15,220,708**	**100.00%**	**$1,041,201**

Source: Department of Water and Power of the City of Los Angeles and Los Angeles City Treasurer.
[1] Fair Market Value as of June 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 $8.81 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 2025-26 are expected to stay the same as the Base Rates that were in effect for Fiscal Year 2024-25. 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 2025-26 is $558.6 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 May 31, 2025, approximately $59.8 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 2025-26 and 2029-30 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 6.2% 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 Infrastructure Adjustment Factor (33.6%) and the Base Rate Revenue Target Adjustment Factor (204.0%). 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	$9.34
Multi-Family Residential	$6.65	$7.12	$7.53	$8.24	$8.80
Commercial, Governmental & Industrial	$5.98	$6.66	$7.33	$8.03	$8.22
Total System Average Rate (All Customer Classes)[2]	$6.77	$7.24	$7.76	$8.30	$8.81
Average Rates Per Water Rate Component					
Purchased Water	$1.81	$2.25	$2.63	$3.04	$2.86
Other Rate Components	4.96	4.99	5.13	$5.26	$5.95
Total System Average Rate[2]	$6.77	$7.24	$7.76	$8.30	$8.81

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 50% 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 20%.

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 $912 per acre-foot that began on January 1, 2025 (an approximate 1.0% 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 ending December 31, 2025, has a treatment surcharge rate of $483 per acre-foot (an approximate 37% increase over the rate that was in effect for the year ended December 31, 2024). 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 due, in part, to ongoing discussions on proposed changes to Metropolitan's business model.

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 60-day or 90-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.

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 May 27, 2025, Tim O'Connor was appointed as the new Executive Director of the OPA (the "Ratepayer Advocate") for a five-year term. The water rate action effective April 15, 2016 was supported by the then-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 2025-26 were increased by 0.58% from the Base Rate revenue targets in effect during Fiscal Year 2024-25. 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, 2022-23 and 2023-24, 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 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 XIIIC and XIIID 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 XIIIC and XIIID, and the Water Rates are fees and charges within the meaning of Articles XIIIC and XIIID.

Section 3 of Article XIIIC 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 XIIIC 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 XIIIC 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 XIIIC and Article XIIID. 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 XIIID and are also fees or charges within the meaning of Section 3 of Article XIIIC. 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 XIIIC, 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 XIIID 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 XIIID 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/B 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 XIIIC 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 XIIIC. 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 XIIIC 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 XIIIC 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 XIIID 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 XIIIC 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. As a result of the prior billing issues noted above and in response to the COVID-19 pandemic described below, a new accrual approach was adopted for the allowance for doubtful accounts, which uses a three-year write-off average rate of Water System sales, starting in Fiscal Year 2023-24 (0.29%). 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 $215.8 million as compared to $220.5 million as of June 30, 2023. Of these amounts, $89.1 million (41.3% 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 May 31, 2025, the Water System's allowance for doubtful accounts was $56.8 million and accounts receivables (including the Culver City utility user's tax, which is subsequently transferred to

Culver City) were $280.9 million. As of May 31, 2024, the Water System's allowance for doubtful accounts was $62.4 million and accounts receivables (including the Culver City utility user's tax, which is subsequently transferred to Culver City) were $193.3 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 resumed service disconnections for certain residential customers in June 2024). 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 $64.5 million as credits to certain of its customer's bills. The remaining $11.5 million was returned to CWWAPP.

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 then-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. Between December 2022 and March 2023, multiple storm systems swept across the State delivering record amounts of rain and snow. This situation was intensified by Tropical Storm Hilary, which in August 2023, brought five-years' worth of precipitation in a 24-hour period. The record amounts of precipitation from 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 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. The variance included approximately 1,246 acres of dust control facilities impacted by the flood events. As of July 2025, all variance work is anticipated to be completed prior to the variance deadline of October 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 7,341 miles of water mains and trunk lines, ranging from 2 inches to 120 inches in diameter. In addition, the Department serves approximately 62,644 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 109 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 124 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).

[Remainder of page intentionally left blank]

CURRENT STORAGE CAPACITY

	High Water Elevation[1]	Spillway Elevation[1]	Acre-Feet	Millions of Gallons
Aqueduct Reservoirs:				
Long Valley	6,782	6,782	183,249	59,712
Grant Lake	7,130	7,130	47,171	15,370
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			310,542	101,190
Local Reservoirs:				
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	169	55
Headworks Reservoir West		511	235	77
Green Verdugo		1,400	99	32
106 smaller reservoirs and tanks			734	239
Total			13,056	4,240
Grand Total[4]			323,598[4]	105,429[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 289,897 acre-feet (approximately 94.5 billion gallons) of water was stored in the aqueducts and local reservoirs and tanks. As of June 30, 2023, approximately 237,638 acre-feet (approximately 77.4 billion gallons) of water was stored in the aqueducts and local reservoirs and tanks.

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 four other in-City reservoirs for storage in the event of an emergency (e.g. earthquake). The four reservoirs are currently not in use, but have the capacity to store approximately 24,386 acre-feet of water (approximately 7.9 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 39 water treatment facilities, including the Los Angeles Aqueduct Filtration Plant, two ultraviolet disinfection facilities, a groundwater treatment facility and 35 ammoniation, chlorination and fluoridation stations. 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' 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, trichloroethlene ("TCE") and perchloroethlene, 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 being commissioned and is expected to be operational during the summer of 2025. Construction of the North Hollywood Central and Tujunga Well Field Response Action Treatment Facilities is complete and operations will begin once the Department receives the facility permits, which are expected in the fall of 2025 and the spring of 2026, respectively. 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 began operations in the winter of 2025. After receiving approval on the consent decree from the EPA in February 2025, the final phase is in design and is expected to be operational in 2027. Additionally, the program to treat water from the eastern area of the North Hollywood East wellfield is expected to be operational by mid-2029. 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**
Metropolitan	152,647	316,627	366,690	219,406	140,497
Los Angeles Aqueduct	292,095	128,268	69,183	184,320	291,098
Local Groundwater	34,363	51,070	53,057	28,170	6,521
Recycled water[1]	9,641	11,455	12,022	9,428	10,030
Total Supply[2]	488,746	507,420	500,952	441,324	448,146
Total Demand[2]	487,591	508,359	500,743	441,855	448,358

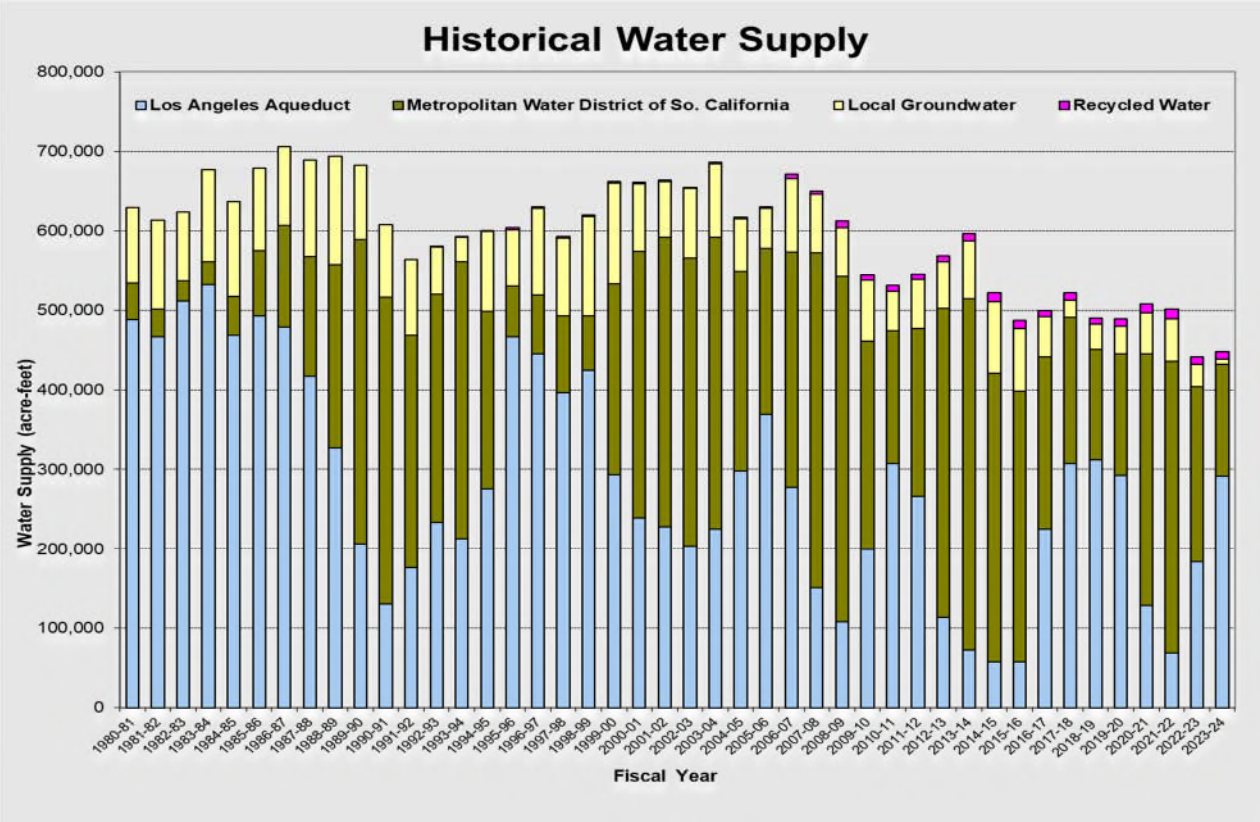
Source: Department of Water and Power of the City of Los Angeles.

[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.

[Remainder of page intentionally left blank]

The following graph illustrates the historical water supply for the Department since Fiscal Year 1981-82.



Source: Los Angeles Department of Water and Power.

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"), Mono Basin tributary stream restoration, 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 192,993 acre-feet per Fiscal Year between Fiscal Years 2019-20 and 2023-24 (approximately 40.4% 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 140,497 acre-feet in Fiscal Year 2023-24 and a high of approximately 366,690 acre-feet in Fiscal Year 2021-22. For the five Fiscal Years ended June 30, 2024, water deliveries from Metropolitan averaged approximately 239,173 acre-feet per year, which constituted approximately 50.1% 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 2025 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 2025. 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 June 11, 2025, relating to its Water Revenue Refunding Bonds, 2025 Series A (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/B BONDS TO PROVIDE INFORMATION WITH RESPECT TO METROPOLITAN TO THE DEPARTMENT OR THE OWNERS OF THE SERIES A/B BONDS.

Local Groundwater

Groundwater Rights. For the five Fiscal Years ended June 30, 2024, on average, local groundwater supplied approximately 34,636 acre-feet per year, which constituted approximately 7.3% 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 2019 and 2024, in response to the abundance of snowpack received during the winter of 2023 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.

[Remainder of page intentionally left blank]

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, 2022 (the latest available information), the Department had accumulated approximately 728,954 acre-feet of stored water credits in the San Fernando Basin and approximately 9,014 acre-feet in the Sylmar Basin. As of September 1, 2024, the Department had accumulated approximately 22,919 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.

[Remainder of page intentionally left blank]

MAJOR GROUNDWATER FACILITIES AND THEIR MAXIMUM CAPACITIES[1]

	Maximum Capacity
San Fernando Basin:	
Wells:	
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
***Recharge Facilities*:**	
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]
***Distribution Facilities*:** [4]	
Tujunga Pumping Station Complex	100.0 cfs[5]
North Hollywood Pumping Station Complex	300.0 cfs[5]
***Treatment/Remediation Facilities*:**	
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, 10,030 acre-feet (approximately 3.27 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, 22,740 acre-feet (approximately 7.41 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.

At the Donald C. Tillman Water Reclamation Plant located in the San Fernando Valley, the Department is implementing the Groundwater Replenishment Project (the "GWR Project") that will recharge the San Fernando basin with purified recycled water. The GWR Project is currently being constructed and is expected to become operational by the end of 2027. The GWR Project is designed to produce up to 22,000 acre-feet of purified recycled water per year, which will provide a new local, drought resistant water supply for approximately 250,000 customers. The total capital budget for the GWR Project is $740 million.

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 "Pure Water Los Angeles" (previously known as "Operation NEXT"), is currently estimated to cost approximately $20-25 billion (in 2024 dollars), depending on final program strategy to be developed through the ongoing Master Plan for Pure Water Los Angeles. This cost will be updated when more detailed program elements are available.

Approximately $300 million of the costs of Pure Water Los Angeles are expected to be included in the Water System's capital program for Fiscal Years 2025-26 through 2029-30. See "WATER SYSTEM INFRASTRUCTURE PROGRAM—Projected Capital Improvements." The Department plans to pursue the most cost-effective sources of financing for construction of Pure Water Los Angeles, including State/Federal grants/loans, additional Parity Obligations, securitized funds, and Metropolitan's local resource subsidy, as well as contributions from potential partnering agencies. One of the visons of the Pure Water Los Angeles program is to increase and optimize the City's local water supplies and support the transition to 70% of the City's water coming from local sources.

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' 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 was 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.

For 2024, the Department of Water Resources allocated 40% of water requested by the State Water Project contractors (including Metropolitan). For 2025, the Department of Water Resources allocated 50% of water requested by the State Water Project contractors (including Metropolitan). Future allocations of water by the Department of Water Resources will be dependent on the amount of snow and rain received by the State.

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, 2024 and December 31, 2024 Department customers were billed at a rate of $1.123, $0.663 and $(0.156) 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 2024 of approximately $99.9 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.

The Department is in the process of developing its 2025 UWMP, which is expected to be finalized and published by July 1, 2026.

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.

[Remainder of page intentionally left blank]

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
Existing/Planned Supplies										
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	17	29	30	30	30	17	29	30	30	30
Subtotal	461	480	495	494	494	386	406	423	424	425
Metropolitan Water Purchases										
With Existing/Planned Supplies	181	180	184	204	217	289	287	290	309	321
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 and Metropolitan 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 April 2025, nearly 56 million square feet of turf had been removed/replaced, which will result in water savings of approximately 2.5 billion gallons per year. During

the most recent drought, the Department modified program elements to remove common barriers that would discourage customers from replacing their turf, and has continued to develop programs to assist customers. Some of these efforts include free turf replacement designs via an online library, increasing the rebate limit from 1,500 to 5,000 square feet, providing free 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 also is working to launch a State grant-funded program to provide free turf replacement services to qualifying customers in disadvantaged communities. 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 benefits 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.

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 recently adopted 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 developed by the Department of Water Resources and the State Water Resources Control Board and to make conservation a "California Way of Life." The Department is currently working to identify strategies and programs to achieve significant savings needed to meet these new regulatory requirements 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 April 2025, approximately 83,380 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 1,800 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

Overview. The Department has implemented an asset management program to address the long-term sustainability and reliability of the Water System's major facilities and infrastructure. The program includes 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 prioritizing the rehabilitation, improvement and replacement of these assets. This information is then used to determine staffing levels needed for appropriate operations and maintenance and to determine the long-term funding needs for rehabilitation and replacement.

In 2021, the Department's Asset Management Group developed a proposed organizational plan to ensure that appropriate resources are identified to build out the Water System Asset Management Program and to improve coordination across the various divisions of the Water System. The proposed organizational plan consists of adopting a hybrid asset management approach instead of the 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.

For maintenance strategies and future plans, the Department ensures reliable and resilient operations by maintaining appropriate staffing levels and executing a combination of corrective and preventive maintenance practices. This approach builds a strong foundation for a condition-based maintenance strategy that provides flexibility to meet a variety of maintenance needs and improves asset management. The Department's long-term goal is to continue to implement data improvement plans and adopt new technologies in order to shift toward predictive maintenance.

The Department's asset management program provides essential data and insights for informed capital project planning. As part of this program, asset management analyses are conducted to determine project prioritization rankings. The analyses include evaluating selection criteria, conducting condition assessments, calculating risk, reviewing findings, and proposing recommendations at the program, capital, and operation and maintenance levels. For distribution mainlines and trunk lines, risk models are used to prioritize projects. The models consider factors such as number of leaks, pipe age and material, soil conditions and pressure. The proposed prioritization recommendations are vetted with the Department's operations divisions and other City departments to minimize community disruptions. Once capital projects are initiated, the Department's capital improvement program for the Water System prioritization criteria is used to prioritize the delivery of the various projects. The capital improvement program prioritization criteria considers factors such as project phase, schedule and regulatory requirements. These criteria are reviewed and updated annually to ensure alignment with current needs and priorities.

Water Infrastructure Assets: Condition Assessments and Monitoring.

Pump Stations. As of June 30, 2024, the Department owned and operated 86 pump stations. In Fiscal Year 2005-06, the Department began evaluating its pump stations through a condition assessment process. The assessments are used to improve the operation and maintainability of the pump stations, and are used to help establish appropriate maintenance staffing levels in the Pump Station Maintenance group. As a result of these assessments, since 2012, over 215 pumps and motors have been replaced or refurbished. In Fiscal Year 2021-22, the Department conducted a comprehensive condition assessment of 19 pump 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. Additionally, since 2022, the Department has operated a comprehensive Pump and Motor Condition Assessment Program. This program includes routine pump vibration testing and performance evaluations to monitor equipment health. Since the program's inception, 197 pumping units have been tested. Based on the assessment results, the Department promptly carries out necessary maintenance or replacements.

Regulator and Relief Stations. As of June 30, 2024, the Department owned and operated 350 regulator and relief stations. Since 2003, the Department has been undertaking a regulator station retrofit program to improve the operation and maintainability of the stations as well as to reduce required corrective maintenance. Over 184 regulator stations have been retrofitted since the beginning of the program. Since 2017, the Department also has had a regulator station header replacement program and has completed 14 stations to date. In Fiscal Year 2021-22, the Department conducted a comprehensive condition assessment of 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. Active regulator and relief stations are inspected on a quarterly basis.

Storage Facilities. As of June 30, 2024, the Department owned and operated 124 reservoirs and tanks. Routine, periodic and comprehensive inspections of water storage facilities are integral to the Department's condition assessment and monitoring program. Comprehensive inspections include detailed evaluations of the tank interior for corrosion and structural integrity. Cathodic protection testing and exterior inspections of finished water tanks are conducted annually. Additionally, the Department implements a Tank Cleaning and Coating Program as part of its preventative maintenance strategy.

Water Treatment Facilities. As of June 30, 2024, the Department owned and operated 39 treatment facilities. Regular inspection, testing, assessment and preventative maintenance of critical equipment, such as valves, pressure vessels, piping systems, and safety devices, are conducted in compliance with regulatory requirements. Active facilities utilizing chemicals are inspected daily, with weekly testing of alarms and facility systems to ensure operational safety and reliability.

Distribution Mainline and Trunk Line. As of June 30, 2024, the Department owned and operated approximately 7,341 miles of pipelines. To assess the condition of the 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 distribution mainlines, which includes 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 is used for trunk lines, pipelines with diameter larger than 20 inches, to help prioritize new trunk line replacements.

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 2025-26 through 2029-30, the Department plans to invest approximately $1.3 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 936,000 feet (177 miles) of distribution mainline in the past five years (ended June 30, 2024). 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 2025-26 through 2029-30, the Department plans to invest approximately $733.2 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 5-year (ended June 30, 2024) annual leak rate averaging 16 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 larger), 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. The North Haiwee Dam No. 2 is currently being constructed to replace the 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 was performed by an independent consultant and which identified eight dams that needed additional evaluation. A detailed evaluation program is continuing for these eight dams which has shown those dams to be safe at their normal or permanently restricted operating water levels. 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 a seismic study (which is expected to be completed in the spring of 2026) on the 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 then-Mayor Garcetti providing specific direction and priority in his Resilience by Design Report in December 2014. The Seismic Resilience Program was expanded with then-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

The Board approved the Fiscal Year 2025-26 capital improvement program on May 13, 2025. A forecast of Water System capital improvement program expenditures for Fiscal Years 2025-26 through Fiscal Year 2029-30 was developed by the Department in conjunction with the preparation of the Water System budget for Fiscal Year 2025-26.

The detailed plans for and costs of projects to be undertaken in connection with the re-building of areas affected by the Palisades Fire are being developed. The forecasted Water System capital improvement program for Fiscal Year 2025-26 through Fiscal Year 2029-30 reflects certain preliminary estimates of anticipated expenditures associated with the re-building over the five-year period. However, these estimates are preliminary and are expected to change as the plans are further developed and the recovery efforts continue.

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 $7.74 billion between Fiscal Years 2025-26 and 2029-30. Approximately 32% 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 2025-26 through 2029-30 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 2025-26 through 2029-30.

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 Expenditures[4]
2026	$ 750	$ 403	$1,153
2027	531	1,091	1,622
2028	433	1,253	1,685
2029	338	1,481	1,819
2030	422	1,040	1,462
Total[4]	$2,474	$5,267	$7,741

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

[1] Consists of proceeds of previously issued Water System Revenue 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 2025-26 and 2029-30 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 2025-26 through 2029-30 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 $52.8 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 $140.0 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 $78.8 million.

- Meter Replacement Program - replacement of water meters throughout the City. The Department estimates that this project will cost approximately $132.7 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 $104.8 million.

- Water treatment improvements, including corrosion protection, and additions and betterments to the Water System. The Department estimates that these projects will cost approximately $926.5 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 $724.6 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 $1.3 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 $5.9 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 $268.2 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 $34.8 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 $225.0 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 $80.7 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 $263.0 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 $100.8 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 $3.5 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 $1.1 billion.

Rate Reduction Bonds. In accordance with Section 6588.7 of the California Government Code, 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 2025-26 and 2029-30 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. The Department's authorization to issue "rate reduction bonds" expires on December 31, 2036.

OPERATING AND FINANCIAL INFORMATION

Summary of Operations

For the three months ended March 31, 2025, approximately 37% of total water sold (based on volume) was to single family residential customers, 32% to multi residential dwelling customers, 23% 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)

	Nine Months Ended March 31		Fiscal Year Ended June 30				
	2025[2]	**2024**	**2024**	**2023**	**2022**	**2021**	**2020**
Operating Statistics:							
Water Supply (Millions of Billing Units of 100 cu. Ft.):							
Local Underground Supply	2.7	2.1	2.8	12.7	23.1	24.0	15.0
Los Angeles Aqueduct	75.9	90.9	126.8	80.3	30.1	55.9	127.2
Deliveries From Metropolitan	73.4	49.8	61.2	95.7	159.7	138.0	67.0
Recycled Water	4.4	3.2	4.4	4.1	5.2	4.9	4.2
Total Supply[1]	155.8	146.1	195.2	192.6	218.2	222.8	213.4
Less:							
Transfers and Diversions To (From) Storage	0.6	(0.2)	(0.1)	0.2	0.1	(0.4)	0.3
System Uses and Losses	9.0	11.1	14.9	12.0	17.5	13.7	15.0
Total Water Sold[1]	146.1	135.2	180.4	180.4	200.6	209.5	198.1
Water Sales (Millions of Billing Units of 100 cu. Ft.):							
Single-family Residential	53.3	48.6	63.5	62.8	76.9	82.8	75.2
Multiple Dwelling Units	46.7	45.2	60.4	59.9	62.8	65.4	63.1
Commercial and Industrial	32.6	31.3	42.5	42.3	43.5	43.3	43.0
Other	11.7	10.6	14.1	14.1	16.0	17.8	18.6
Total[1]	144.3	135.7	180.5	179.1	199.2	209.3	199.9
Average Number of Customers (In Thousands):							
Single-family Residential	495	498	498	497	496	495	493
Multiple Dwelling Units	126	124	125	124	123	122	121
Commercial and Industrial	68	68	68	68	68	67	67
Other	7	8	7	8	8	8	8
Total[1]	696	698	698	697	695	692	689
Operating Revenues (In Thousands):							
Single-family Residential	$ 531,135	$ 425,148	$ 611,195	$ 607,522	$ 673,926	$ 634,785	$ 537,610
Multiple Dwelling Units	427,077	371,816	545,080	557,060	500,162	460,541	402,017
Commercial and Industrial	281,314	253,524	372,262	395,676	351,707	301,159	253,165
Other	80,986	69,420	106,996	101,020	80,883	67,296	82,275
Total[1]	$1,320,512	$1,119,908	$1,635,533	$1,661,278	$1,606,678	$1,463,781	$1,275,067
Average Revenue Per Hundred Cubic Feet Sold:							
Single-family Residential	$9.969	$8.740	$9.618	$9.677	$8.761	$7.662	$7.147
Multiple Dwelling Units	9.145	8.231	9.031	9.300	7.961	7.045	6.370
Commercial and Industrial	8.642	8.093	8.755	9.350	8.082	6.949	5.894
Other	6.947	6.525	7.615	7.158	5.070	3.775	4.427
Average Consumption Per Person Per Day (Gallons)	N/A	N/A	101	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 nine months ended March 31, 2025 is preliminary and subject to change. Results for the first nine 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)

	Nine Months Ended March 31		Fiscal Year Ended June 30[1]				
	2025[7]	2024	2024	2023	2022	2021	2020
Operating Revenues:							
Single-family Residential	$531,135	$425,148	$611,195	$607,522	$673,926	$634,785	$537,610
Multiple Dwelling Units	427,077	371,816	545,080	557,060	500,162	460,541	402,017
Commercial and Industrial	281,314	253,524	372,262	395,676	351,707	301,159	253,165
Other	80,986	69,420	106,996	101,020	80,883	67,296	82,275
Total Operating Revenues[2]	$1,320,512	$1,119,908	$1,635,533	$1,661,278	$1,606,678	$1,463,781	$1,275,067
Operating Expenses:							
Purchased Water	$228,076	$148,065	$199,804	$238,856	$346,568	$296,261	$160,228
Maintenance and Other Operating Expenses	646,506	561,517	772,742	768,375	634,975	573,330	599,703
Total Operating Expenses Excluding Depreciation[2]	$874,582	$709,582	$972,546	$1,007,231	$981,543	$869,591	$759,931
Operating Income Before Depreciation	$445,930	$410,326	$662,987	$654,047	$625,135	$594,190	$515,136
Nonoperating Revenues, Net	$29,163	$30,130	$48,704	$19,797	$(8,124)	$19,630	$62,589
Capital Contributions	29,649	201,595	238,774	92,820	41,137	92,739	47,148
Adjusted Change in Fund Net Position Before Depreciation, Amortization and Interest[3]	$504,742	$642,051	$950,465	$766,664	$658,148	$706,559	$624,873
Debt Service							
Interest[4]	$217,163	$218,402	$296,087	$270,585	$251,764	$246,741	$248,566
Principal	126,560	122,669	138,153	125,446	105,081	90,351	88,356
Total Debt Service on Bonds[2]	$343,723	$341,071	$434,240	$396,031	$356,845	$337,092	$336,922
Depreciation and Amortization	$193,040	$185,097	$254,996	$236,008	$218,599	$207,264	$197,835
Debt Service Coverage[5,6]	N/A	N/A	2.19x	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 2025-26 and 2029-30, the Department expects approximately $7.7 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 nine-months ended March 31, 2025 is preliminary and subject to change. Results for the first nine 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 nine-months ended March 31, 2025 and March 31, 2024 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 August 1, 2025, the Department had approximately $6.51 billion in principal amount of debt outstanding payable from the Water Revenue Fund, comprised of approximately $5.79 billion of revenue bonds (including the Refunded 2001 Series B Bonds, the Refunded 2019 Series A Bonds and the Refunded 2021 Series A Bonds), $722.5 million of loans provided to the Department by the State Water Resources Control Board, and a $2.9 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 $5.3 billion of the costs of the capital improvements with proceeds of previously issued Bonds and additional debt payable from the Water Revenue Fund to be issued and/or incurred through June 30, 2030. 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 Water System Revenue Bonds, 2010 Series A (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 with respect to the Series 2010A Bonds has been less than $518,000 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 $9.08 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 Subseries 2001B-1, B-2, B-3 and B-4, the Subseries 2019A-1 and A-2, and the Subseries 2021A-1 and A-2 (collectively, 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 entered into five separate standby bond purchase agreements (collectively, the "Standby Bond Purchase Agreements"), respectively, as described in the following table:

[Remainder of page intentionally left blank]

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 connection with the refunding of each subseries of the Variable Rate Bonds, the Department will terminated each of the respective Standby Bond Purchase Agreements at the time of issuance of the Series A Bonds and the Series B Bonds, respectively. See "PLAN OF REFUNDING."

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 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 Bonds.

Wells Fargo Credit Agreement. On July 3, 2025, the Department entered into a third 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 $500 million outstanding at any one time. 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 other lawful purposes of the Water System are payable from the Water Revenue Fund; and loans for Power System improvements and other lawful purposes of the Power System are payable from the Power Revenue Fund. As of August 1, 2025, the Department had $300 million of loans outstanding under the Wells Fargo Credit Agreement payable from the Water Revenue Fund, and $150 million of loans outstanding under the Wells Fargo Credit Agreement payable from the Power Revenue Fund. 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. By 1905, irrigation diversions by farmers, coupled with drought, resulted in drying Owens Lake to approximately 60% of its size from the mid-1800's. By 1913, the City had purchased much of the water rights in the Owens Valley and had completed the First Los Angeles Aqueduct to divert most of the remaining water in the Owens River south to Los Angeles. As a result, the lakebed had been essentially dry since the late 1920s. Dissolved minerals and salts in the water crystallized into an alkali salt crust as the lake dried up. High winds on Owens Lake have the potential to cause erosion of the salt crust and develop wind-blown dust. Dust is measured as "PM_{10}", or particulate matter less than 10 microns in average aerodynamic diameter. When inhaled these particles may cause a variety of health problems. In 1987, the EPA established the health-based National Ambient Air Quality Standards ("NAAQS") for PM_{10} to prevent concentrations of suspended particles in the air that are potentially injurious to human health. Consequently, in 1991, the EPA classified the southern Owens Valley as a "serious non-attainment" area for PM_{10}.

The Great Basin Unified Air Pollution Control District ("GBUAPCD"), a California air control district established in 1974 by the counties of Inyo, Mono and Alpine pursuant to a joint powers agreement, is responsible for coordinating with the California Air Resources Board to develop and implement a state implementation plan ("SIP") for the Owens Valley Planning Area to achieve NAAQS for PM_{10}. SIPs are submitted to the EPA for approval. In 1998, the City and GBUAPCD signed a Memorandum of Agreement (the "Owens Valley MOA") to implement the Owens Lake Dust Mitigation Program, which involves installation and operation of EPA approved dust control measures on the lakebed with the ultimate goal of achieving NAAQS for PM_{10}. The Owens Valley MOA was incorporated into a formal SIP developed and adopted by GBUAPCD and approved by the EPA in October 1999. Since 1998, GBUAPCD has prepared subsequent SIP revisions in 2003, 2008, an amendment in 2013, and most recently in 2016. As required by the 2014 Stipulated Judgement (as defined below), the Clean Air Act of 1970, as amended, the 2016 SIP was intended to be the final SIP to achieve NAAQS for PM_{10} by the end of 2017.

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 "2014 Stipulated Judgment") issued by the Superior Court of the State, County of Sacramento in December 2014. The 2014 Stipulated Judgment includes several key stipulations which protects the Department and its rate payers against endless dust control orders and provides a clear path to achieving NAAQS for PM_{10}. Certain of the key terms of the 2014 Stipulated Judgment include:

- The Department and GBUAPCD agreed to balance dust controls, water conservation, and protection of environmental and cultural resources. Since 2013, water use at Owens Lake has been reduced by 13,000 acre-feet per year.

- By December 31, 2017, the Department shall construct a dust control project to complete the Phase 9 and Phase 10 dust controls (Phase 9/10) by selecting and installing EPA approved Best Available Control Measures ("BACM") on 3.62 square miles of the Owens lakebed. The Department completed this project by the regulatory deadline.

- The Department shall permanently operate dust controls with approved BACM on those areas and all other existing areas, where the Department has installed and operates dust controls on the Owens Lake bed. The Department currently operates 48.6 square miles of dust controls.

- GBUAPCD may order the Department on or any time after January 1, 2016 to implement additional BACM contingency measure controls on up to 4.8 square miles of the Owens Lake bed, for a total of 53.4 square miles of dust controls. Since 2014, GBUAPCD has ordered 0.5 square miles of contingency measures.

- Except for the 4.8 square mile contingency measure area, GBUAPCD shall not issue any further orders for mitigation measures to the Department, requiring the Department to control windblown dust emissions from any areas on the dried Owens Lake bed beyond the combined 53.4 square miles.

Starting in 2000 the Department has successfully implemented, and is continuously operating, 48.6 square miles of dust mitigation on Owens Lake, at a total cost of more than $2.6 billion. The total cost includes initial capital costs, operation and maintenance costs, regulatory fees and replacement water costs from imported sources. Although the Department has achieved all the terms of the 2016 SIP and the 2014 Stipulated Judgement by their respective regulatory deadlines, and achieved a 99% reduction of PM_{10} emissions from the lake, GBUAPCD has yet to redesignate the Owens Valley Planning Area, from an area of "serious non-attainment" to an area of "attainment" of NAAQS.

The Department and GBUAPCD are currently in litigation (consisting of three separate lawsuits) 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 and GBUAPCD were negotiating a settlement agreement, but reached an impasse in June 2025 and, as a result, the litigation is now moving forward. In one of the lawsuits, brought by the Department against both the California Air Resources Board and GBUAPCD, trial is set to proceed on August 6, 2025, in Los Angeles Superior Court. However, its resolution will not resolve the overall dispute. Trial in the remaining two related lawsuits has not yet been scheduled, but is expected to proceed in two phases by the end of 2026. In those lawsuits, which are pending in Orange County Superior Court, the parties are currently engaged in discovery. Appeals are likely to follow the conclusion of the trials in all three of the currently pending lawsuits. The Department plans to vigorously defend its position in these lawsuits, but cannot predict the ultimate outcome of the cases.

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 does 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. The variance included approximately 1,246 acres of dust control facilities impacted by the

flood events. As of July 2025, all variance work is anticipated to be completed prior to the variance deadline of October 2025. 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, 2025, the water level of Mono Lake was 6,383.3 feet above mean sea level, and therefore, Mono Basin water exports for 2025 are expected to be 16,000 acre-feet. If the elevation of Mono Lake reaches 6,391 feet above mean sea level, a different schedule will govern water exports from the Mono Basin resulting in similar exports, on average, that have taken place since the issuance of 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 Department recently determined that upgrades to the dam cannot be performed without replacing the Grant Lake roto valve. The upgrades to the Grant Lake Reservoir Dam are currently estimated to cost approximately $90 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 $79 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 late 2025. The final phase of the facility was approved for construction in February 2025 by the U.S. Department of Justice which approved the 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. Deliveries of treated water under the Lockheed Settlement Agreement are expected to begin in early 2029.

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. On April 17, 2024, the State Water Resources Control Board adopted regulations (effective October 1, 2024) 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 has been constructed and is scheduled to be operational by spring 2026. 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 2025, and plans to issue its next report by July 2028. The 2025 report estimated that it would cost approximately $1.3 billion in capital costs and $186 million in annual operation and maintenance costs 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 2024 electronic report was made available to customers by July 1, 2025. 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.

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.

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"). Over the last three decades (most recently in 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 require, among other things, utilities to inventory all service lines by October 16, 2024, including customer service lines for potential lead content. Under California State requirements, the Department previously concluded that there are no lead service lines on the utility side of the distribution system. The Department completed its service line assessments in October 2024 and concluded that there are no lead service lines on either the utility side or customer side of the Department's 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.

On October 8, 2024, the EPA issued the final Lead and Copper Rule Improvements ("LCRI") regulations to further reduce exposure to lead through drinking water. A key provision of the regulations is that all lead service lines must be replaced within 10 years. Given the Department's conclusion that there are no lead service lines in its distribution systems, this will not affect the Department. The LCRI extends the timing for water quality testing for lead and copper in schools and licensed childcare facilities, which now must be initiated by 2028. The State requires licensed childcare facilities to test their water themselves, but water systems (including the Department) are required to sample the water at schools. Sampling the water at all of the schools in the Department's service area, including schools in the Los Angeles Unified School District and private schools, may require a significant effort by 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.

In response to a lawsuit brough against the EPA, on September 24, 2024, the U.S. District Court for the Northern District of California ruled that the EPA must further investigate if fluoridation of drinking water poses a risk of reduced IQ in children. The Court's decision does not conclude that fluoridated drinking water is harmful, rather that EPA must examine the potential for harm and decide how to respond. The Department has received complaints about fluoride use from those concerned with such risks, and the Department has added language to the annual Consumer Confidence Report about fluoride discussing both the benefits and potential risk.

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 2024 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 2031.

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 April 10, 2024, the EPA announced the final "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 sets maximum allowable levels of these chemicals in drinking water. Initial monitoring of PFAS compounds at the entry points to all of the Department's systems must be completed

by April 2027. Compliance with the new maximum allowable levels must be achieved by April 2029. Based on the Department's water quality data and test results for PFAS, the 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.

There is currently uncertainty over PFAS regulations. On May 14, 2025, the EPA announced plans to develop new regulations to retain the maximum contaminant level ("MCLs") for PFOA and PFOS announced in 2024, and to rescind the MCLs for the other four PFAS compounds established in 2024. The EPA also proposed to extend the date that water suppliers must comply with PFOA and PFOS MCLs from 2029 to 2031. The EPA's stated intention is to propose these changes for public review in the fall of 2025 and to finalize new regulations in the spring of 2026. Meanwhile, California is planning to develop its own PFAS regulations, which are expected to be at least as protective as those established by the EPA in 2024.

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/B 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/B 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/B 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/B 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/B Bonds will not constitute or evidence an indebtedness of the City or be secured by any lien, security interest or other charge on any property of the City or the Department nor on the Water Revenue Fund, the revenues of the Water System, or 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/B 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/B 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/B Bonds. See "WATER RATES" herein.

Costs of Capital Improvement Program; Increased Water Rates

As described herein, between Fiscal Years 2025-26 and 2029-30, the Department's expected capital improvement program for the Water System is currently estimated to cost approximately $7.7 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, tariffs, 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 68% of the costs of the capital improvement program between Fiscal Years 2025-26 and 2029-30 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/B 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/B Bonds.

Rate-Setting Process Under Proposition 218; Other Voter Initiatives

Proposition 218. Proposition 218, which added Articles XIIIC and XIIID 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/B 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 XIIIC and XIIID 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/B 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 changes, 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/B 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/B Bonds.

Reliance on Water Purchased from Metropolitan. On average, over the five Fiscal Years ended June 30, 2024, approximately 50.1% 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, 2022-23 and 2023-24, the Department's water supply provided by purchases of water from Metropolitan

was 31.2%, 49.7% and 31.4%, 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 2025 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 2025. 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 or 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 was further refined in 2023 to analyze the potential changes and impacts to the watershed streamflow during extreme weather events. The 2023 study provided valuable information regarding potential impacts to the streamflow's intensity, duration, and frequency due to extreme weather events. 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 mitigations 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, wells, treatment stations and pumping stations, which are not typically vulnerable to damage by wildfires. The above ground facilities within the Water System are generally designed to be tolerant to damage by wildfires through the use of fire resistant material where possible, such as concrete and masonry blocks. However, reservoir floating covers, which are made of reinforced synthetic rubber, are vulnerable to wildfires. 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.

See "INTRODUCTION – Los Angeles 2025 Wildfire Event" for information regarding the wildfire and windstorm event that occurred in the City in January 2025. See also "LITIGATION – Litigation Against the City and the Department Related to the Los Angeles 2025 Wildfire Event."

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/B 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/B 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 authorized $7.545 billion in State General Obligation Bonds, the proceeds of which are to be disbursed as grants, loans, and other financial assistance, to support and implement water supply infrastructure projects and programs. Proposition 1 included $800 million for projects for the prevention/cleanup of groundwater contamination; $725 million for water recycling projects; and $810 million for integrated regional water management projects across the State. As of June 2025, the Department has been awarded $334.7 million in grants and loans from Proposition 1. Awards include (i) a $3 million zero-interest loan for water conservation and efficiency measures; (ii) $309.9 million in grants for the San Fernando Groundwater Basin Remediation Program; and (iii) $21.9 million in grants for water reclamation and stormwater capture projects.

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.

In 2018, 2019 and 2023, the California State Legislature enacted, and the respective Governors signed, four long-term water use efficiency bills, Senate Bill 606 (2018), Assembly Bill 1668 (2018), Assembly Bill 1414 (2019) and Assembly Bill 1572 (2023), 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 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. On July 3, 2024, the State Water Resources Control Board adopted several efficiency standards and established benchmark targets for efficiency improvements through 2040. The Department is working to establish a definitive measurement and evaluation of the new water use efficiency regulatory standards needed to comply with the adopted targets and will incorporate these into the 2025 UWMP update.

On November 5, 2024, California voters passed Proposition 4, a ballot measure that authorizes the State to issue up to $10 billion of State General Obligation Bonds to fund projects across the State, including projects that: safeguard drinking water, combat wildfires, protect natural lands, and improve resilience against floods and extreme heat. So far, $3.8 billion has been allocated for safe drinking water, drought, flood, and water resilience programs. The Department plans to apply for moneys under Proposition 4 to finance portions of its capital improvement program.

Limitations on Remedies; Effect of City Bankruptcy

Limited Remedies. Upon the occurrence and continuance of an event of default under the Bond Resolution, the owners of the Series A/B Bonds have limited remedies. Neither the Series A/B Bonds nor the Bond Resolution contain a provision allowing for acceleration of the Series A/B Bonds in the event of a payment default or other default under the terms thereof. Enforceability of the rights and remedies of the owners of the Series A/B Bonds, and the obligations incurred by the Department, may become subject to the United States Bankruptcy Code (the "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/B 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.

The Series A/B 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/B Bonds will not be secured by any lien, security interest or other charge on any property of the City or the Department nor on the Water Revenue Fund, the revenues of the Water System, or the general revenues of the City. The Series A/B Bonds will not constitute or evidence an indebtedness of the City or the Department within the meaning of any constitutional or statutory debt limitation. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the Series A/B Bonds.

Effect of City Bankruptcy. Pursuant to State law, the City is authorized to file for bankruptcy protection under certain circumstances. Should the City file for bankruptcy protection, the Department and the assets of the Department would be included in the bankruptcy proceedings and, therefore, there could be adverse effects on the holders of the Series A/B Bonds. The Department, being a department of the City, likely cannot itself file for bankruptcy protection, however, whether the City and the Department could be treated as separate entities for bankruptcy purposes is a complex question not subject to certainty. An involuntary bankruptcy petition cannot be filed against the City or the Department under the Bankruptcy Code.

The adverse effects from a bankruptcy filing of the City could include, but might not be limited to, one or more of the following: (i) the automatic stay provisions of the Bankruptcy Code, which would be in effect in the event of a City bankruptcy filing, could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by the Department under the Bond Resolution or the Series A/B Bonds or to enforce any obligation of the Department under the Bond Resolution or the Series A/B Bonds; (ii) the Series A/B Bonds are not secured by collateral and, therefore, the holders may experience losses, without recourse to collateral; (iii) payments previously made to the holders of the Series A/B Bonds prior to a bankruptcy filing might be avoided as preferential transfers, requiring holders of the Series A/B Bonds to return such payments to the Department; (iv) the City might be able, without

the consent and over the objection of the holders of the Series A/B Bonds, to alter the priority, payment terms, maturity dates, payment sources, and other terms or provisions of the Series A/B Bonds or the Bond Resolution as part of a plan for the adjustment of its debts, if the bankruptcy court finds the plan is in the best interest of creditors; and (v) the City could reject or assign significant contracts. The occurrence of any of these, as well as the occurrence of other possible effects of a bankruptcy of the City, could result in delays or reductions in payments to the holders of the Series A/B Bonds or could prevent such payments altogether.

The "special revenue" provisions of the Bankruptcy Code provide certain protections to certain holders of municipal bonds secured by "special revenues," including having liens in the related collateral post-bankruptcy. However, the "special revenue" provisions would not apply to shield holders of the Series A/B Bonds from the effects of a municipal bankruptcy filing of the City. "Special revenues" are generally defined to include pledged revenues derived from the ownership or operation of projects or systems that are primarily used to provide transportation, utility, or other services. However, the "special revenue" provisions of the Bankruptcy Code only apply to obligations of a debtor that are secured by a lien on such "special revenues." Because the Series A/B Bonds are not secured by any lien on the Water Revenue Fund or any other property or revenues of the Department or the City, the "special revenue" provisions under the Bankruptcy Code should not apply to the Series A/B Bonds.

Under the City Charter, all revenues from every source collected by the Department in connection with its possession, management and control of the Water System are required to be deposited to the credit of the Water Revenue Fund. The Charter requires all moneys in the Water Revenue Fund to be used for the operation and maintenance of the Water System, the repayment of any indebtedness of the Water System, and for such other purposes specific to the Water System as set forth in the Charter. Pursuant to the State Constitution, the provisions of a charter are considered the law of the State and would govern the uses of the Water Revenue Fund. Use by the City of revenues of the Water System for other purposes would be in violation of the City Charter. Section 943 of the Bankruptcy Code generally provides that a plan for the adjustments of the debts of a municipal debtor cannot be confirmed by the bankruptcy court if the debtor is prohibited by law from taking any action necessary to carry out the plan. Caselaw, however, has not resolved how Section 943 applies, including in connection with other Bankruptcy Code sections that permit a confirmed plan to adversely affect or discharge debt or in connection with debt that is unsecured. Additionally, during the pendency of any bankruptcy proceedings of the City, Section 943 of the Bankruptcy Code would not be applicable. In a case arising from the insolvency proceedings of the Commonwealth of Puerto Rico, the United States Court of Appeals for the First Circuit concluded that a bankruptcy court does not have the power to order a debtor to comply with State law. Accordingly, during the pendency of the proceedings, a bankruptcy court may not be able to prevent revenues of the Water System or moneys in the Water Revenue Fund from being used for purposes not specific to the Water System.

The results of the foregoing, including but not limited to matters that may arise in proceedings under the Bankruptcy Code, are difficult to predict. Regardless of any specific adverse determinations in a City bankruptcy proceeding, a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series A/B Bonds.

Legal opinions to be delivered concurrently with the delivery of the Series A/B Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series A/B Bonds may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, as well as limitations on legal remedies against cities in the State.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series A/B Bonds or, if a secondary market exists, that any Series A/B Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Global Health Emergencies; COVID-19 Pandemic

A pandemic, epidemic or outbreak of an infectious disease can have significant adverse heal 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 workers 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, future pandemics and other widespread public health emergencies may arise from time to time in the future. No assurance can be given that the operations or finances of the Water System will not be negatively affected in the event that the COVID-19 pandemic and its consequences again become more severe or another national or localized outbreak of highly contagious or epidemic disease occurs in the future.

LITIGATION

Litigation Against the City and the Department Related to the Los Angeles 2025 Wildfire Event

Multiple lawsuits have been filed against the City and the Department by property owners whose properties were damaged in the Palisades Fire. All of the Complaints bring claims under the doctrine of inverse condemnation. The doctrine of inverse condemnation is a "takings clause" cause of action under the State and federal constitutions that entitles property owners to just compensation if their private property is damaged by a public use. A number of the Complaints also bring various tort claims, including negligence and vicarious liability, negligence per se, dangerous condition of public property, breach of mandatory duty, trespass, private nuisance, public nuisance, negligent infliction of emotional distress, and inference with prospective economic advantage. Certain other plaintiffs have indicated that they intend to bring tort claims as well.

The existing lawsuits, as of July 29, 2025, consist of a number of state court actions (approximately 63 cases) filed on behalf of approximately 2,100 individual plaintiffs, including two cases filed as putative class actions on behalf of an individual and all those similarly situated that seeks to certify as a class all individuals and entities in the areas impacted by the Palisades Fire who suffered property damage, loss of use, evacuation, or other harm as a result of the Palisades Fire. The cases are pending in the Los Angeles Superior Court. The plaintiffs in the lawsuits generally allege, among other things, that: (1) the Department failed to properly maintain its water system for the purpose of fighting fires (and specifically that it failed to properly maintain the Santa Ynez Reservoir and, in certain of such cases, the Chautauqua Reservoir), (2) the Department chose to design its water system for urban use, not to fight wildfires, (3) after the fire ignited, the Department failed to de-energize its distribution and transmission electrical facilities, which resulted in its overhead power lines arcing and power poles breaking, causing additional fires, and (4) the Palisades Fire was foreseeable in light of data about the history of fires in the area, current fire risk and weather. Many of the lawsuits allege that Department Power System facilities caused secondary ignitions in the Palisades. The plaintiffs are seeking compensation for damages including, but not limited to, lost or damaged property, lost income or wages, and attorney's fees, and in certain of the cases loss of use/marketability of property, emotional distress, and punitive damages. The pending class action seeks certain injunctive relief as well as monetary damages. Most of the filed lawsuits do not contain a specific dollar amount, although one of the pending class actions asserts a damages figure of greater than $10 billion. The cases are not yet at a stage where it is possible to reasonably estimate the potential ultimate financial exposure to the City or the Department. The City and the Department deny all liability claims.

With respect to the lawsuits referred to above, as of July 29, 2025, approximately 39 of such lawsuits (including the lawsuits filed as class actions) include allegations that the Department's Power System facilities were a source of additional ignitions of the Palisades Fire. The ATF is leading an investigation into the cause of the Palisades Fire, and such investigation is ongoing. The Department has provided information to the ATF and other agencies in connection with their investigations. The ATF has examined the Department's overhead transmission facilities that are near, but outside of, the area where the Palisades Fire reportedly ignited. To the present date, neither the ATF nor any other investigating authority has issued a cause and origin report identifying the source of the Palisades Fire, and no investigating authority has indicated that the Power System facilities were involved in the ignition of the Palisades Fire or have asked the Department to preserve any of its electrical facilities in the area.

The City and the Department intend to vigorously defend against all of these lawsuits, but cannot predict the outcome of these cases. See also "INTRODUCTION – Los Angeles 2025 Wildfire Event."

Other Matters Related to the Water System

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 fully briefed in the Second District Court of Appeal and awaiting oral argument. 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. Following trial on the merits, the Court held that the Department's use of temperature zones in its Schedule A Water Rates was unconstitutional, but otherwise upheld the constitutionality of the current rate structure. On July 21, 2025, the Court issued a proposed statement of decision that would impose an injunction prohibiting the Department from using temperatures zones, and would declare that the Department's use of temperature zones in the current rate structure violates Proposition 218. The proposed statement of decision is not yet final, but it is expected that its terms will eventually be what is in the final judgment. Because the four individual plaintiffs would not have benefitted from the elimination of the temperature zones during the relevant refund period, it is the Department's position that no personal refunds will be issued. The Department has already revised its rates to comply with the expected Court order, but the Department anticipates that the plaintiffs will appeal when judgment is entered. The Department cannot predict the ultimate outcome of this case.

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 Proposition 218 and 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 has demurred to the Complaint, and moved 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/B 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 forms of the opinions 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/B 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/B Bonds are contingent upon the issuance and delivery of the Series A/B 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/B 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/B Bonds. Failure to comply with such requirements could cause interest on the Series A/B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series A/B 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/B Bonds. Interest on the Series A/B Bonds may affect the federal alternative minimum tax imposed on certain corporations.

The accrual or receipt of interest on the Series A/B Bonds may otherwise affect the federal income tax liability of the owners of the Series A/B 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/B 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/B Bonds.

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

Copies of the proposed forms of opinions of Bond Counsel are attached hereto as Appendix E.

Tax Treatment of Original Issue Premium

The Series A/B 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/B Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Series A/B Bond over its stated redemption price at maturity constitutes premium on such Premium Series A/B Bond. A purchaser of a Premium Series A/B Bond must amortize any premium over such Premium Series A/B Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Series A/B 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/B 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/B 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/B 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/B Bond.

Tax Treatment of Original Issue Discount

The Series A/B 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/B Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Series A/B 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/B 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/B Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Series A/B 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/B Bond, on days that are determined by reference to the maturity date of such Discount Series A/B Bond. The amount treated as original issue discount on such Discount Series A/B Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Series A/B 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/B 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/B 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/B 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/B 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/B 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/B Bond. Subsequent purchasers of Discount Series A/B 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/B 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/B 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/B 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/B 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/B Bonds or the market value thereof would be impacted thereby. Purchasers of the Series A/B 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/B 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/B Bonds are advised to consult their own tax advisors prior to any purchase of the Series A/B Bonds as to the impact of the Code upon their acquisition, holding or disposition of the Series A/B Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings, Inc. ("Fitch") and Kroll Bond Rating Agency, LLC ("Kroll") have assigned the Series A/B Bonds ratings of "Aa2," "AA-" and "AA," respectively. Each of Moody's and Fitch's rating outlook with respect to the Series A/B Bonds is "negative." Kroll's rating outlook with respect to the Series A/B Bonds is "stable." Such credit ratings reflect only the views of such organizations and any desired explanation of the significance of such credit ratings should be obtained from the rating agency furnishing the same. 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/B Bonds any announcement regarding the outlook of any rating agency with respect to the Series A/B Bonds. Any downward revision or withdrawal of a rating, or announcement of negative outlook could have an adverse effect on the market price for, or the marketability of, the Series A/B 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/B 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/B Bonds in complying with Rule 15c2-12.

UNDERWRITING OF THE SERIES A/B BONDS

Series A Bonds

The Department has entered into a Contract of Purchase (the "Series A 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 "Series A Underwriters"), pursuant to which the Series A 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 Series A Underwriters. The Series A Contract of Purchase provides that (i) the Series A 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 Series A Contract of Purchase including, among others, the approval of certain legal matters by counsel.

Series B Bonds

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

General Information Relating to Underwriters

Certain of the Underwriters have entered into distribution agreements with other broker-dealers that are not Underwriters for the distribution of Series A/B 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. Subject to applicable regulatory provisions, 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. Certain of the Underwriters or their affiliates serve as remarketing agents and providers of liquidity facilities to the Department in connection with the Variable Rate Bonds expected to be refunded by the Series A/B Bonds, and in such capacities may own Bonds of the Department and may be or become creditors 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/B 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/B 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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Refunded 2019 Series A Bonds and Refunded 2021 Series A Bonds

Upon delivery of the Series A Bonds, the Verification Agent, will deliver a report stating that the firm has verified the mathematical accuracy of the computations relating to

(i) the adequacy of the amounts to be deposited with the 2019A Paying Agent to pay on September 2, 2025 the redemption price of the Refunded 2019 Series A Bonds (at a redemption price of 100% of the principal amount thereof), plus accrued interest thereon; and

(ii) the adequacy of the amounts to be deposited with the 2021A Paying Agent to pay on September 2, 2025 the redemption price of the Refunded 2021 Series A Bonds (at a redemption price of 100% of the principal amount thereof), plus accrued interest thereon.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Department and the Series A Underwriters. The Verification Agent will restrict its procedures to recalculating the computations provided by the Department and the Series A Underwriters and will not evaluate or examine the assumptions or information used in the computations.

Refunded 2001 Series B Bonds

Upon delivery of the Series B Bonds, the Verification Agent, will deliver a report stating that the firm has verified the mathematical accuracy of the computations relating to the adequacy of the amounts to be deposited to the Series 2001B Escrow Fund, to purchase any Refunded 2001 Series B Bonds that are tendered by bondholders, and pay on October 1, 2025 the redemption price of the Refunded 2001 Series B Bonds (at a redemption price of 100% of the principal amount thereof), plus accrued interest thereon. The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Department and the Series B Underwriters. The Verification Agent will restrict its procedures to recalculating the computations provided by the Department and the Series B Underwriters and will not evaluate or examine the assumptions or information used in the computations.

MISCELLANEOUS

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

This Official Statement is not a contract with the Owners of any of the Series A/B 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

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)

(This page intentionally left blank.)

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)

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

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Management's Discussion and Analysis (Unaudited)	3–15
Financial Statements:	
Statements of Net Position	16–17
Statements of Revenues, Expenses, and Changes in Net Position	18
Statements of Cash Flows	19–20
Notes to Financial Statements	21–88
Required Supplementary Information (Unaudited)	89–94

KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Water and Power Commissioners
City of Los Angeles
Department of Water and Power:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Water Revenue Fund of the Department of Water and Power of the City of Los Angeles (the Water System), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements which collectively comprise the Water System's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Water System as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department of Water and Power of the City of Los Angeles and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in note 1(a), the financial statements present only the Water System and do not purport to, and do not, present fairly the financial position of the City of Los Angeles as of June 30, 2024 and 2023, and changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–15 and the other required supplementary information on pages 89–94 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Los Angeles, California
November 15, 2024

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

Management's Discussion and Analysis

June 30, 2024 and 2023

(Unaudited)

The following discussion and analysis of the financial performance of the Department of Water and Power (the Department) of the City of Los Angeles' Water Revenue Fund (Water System) provides an overview of the financial activities for the fiscal years ended June 30, 2024 and 2023. Descriptions and other details pertaining to the Water System are included in the notes to the financial statements. This discussion and analysis should be read in conjunction with the Water System's financial statements, which begin on page 16.

Using this Financial Report

This annual financial report consists of the Water System's financial statements and required supplementary information and reflects the self-supporting activities of the Water System that are funded primarily through the sale of water to the public it serves.

Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows

The financial statements provide an indication of the Water System's financial health. The statements of net position include all of the Water System's assets, deferred outflows, liabilities, deferred inflows, and net position using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which assets are restricted as a result of bond covenants and other commitments as of June 30, 2024 and 2023. The statements of revenues, expenses, and changes in net position report all of the revenues and expenses during the time periods indicated. The statements of cash flows report the cash provided and used by operating activities, noncapital financing activities, capital and related financing activities, and investing activities for the years ended June 30, 2024 and 2023.

The following tables summarize the financial condition and changes in net position of the Water System as of and for the fiscal years ended June 30, 2024, 2023, and 2022:

Table 1 – Condensed Schedule of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

(Amounts in millions)

	Year ended June 30		
Assets and Deferred Outflows	**2024**	**2023**	**2022**
Utility plant, net	$ 11,294	10,783	10,128
Investments	57	54	53
Other noncurrent assets	458	364	927
Current assets	1,511	1,369	1,202
Deferred outflows	522	485	210
Total assets and deferred outflows	$ 13,842	13,055	12,520
Net Position, Liabilities, and Deferred Inflows			
Net position:			
Net investment in capital assets	$ 3,831	3,462	3,213
Restricted	205	192	162
Unrestricted	653	576	542
Total net position	4,689	4,230	3,917
Liabilities and deferred inflows:			
Long-term debt, net of current portion	7,328	7,159	6,707
Other long-term liabilities	511	443	122
Current liabilities	1,048	995	875
Deferred inflows	266	228	899
Total liabilities and deferred inflows	9,153	8,825	8,603
Total net position, liabilities, and deferred inflows	$ 13,842	13,055	12,520

(Continued)

Table 2 – Condensed Schedule of Revenues, Expenses, and Changes in Net Position

(Amounts in millions)

	Year ended June 30		
	2024	**2023**	**2022**
Operating revenues:			
Residential	$ 611	607	674
Multiple-dwelling units	545	557	500
Commercial and industrial	372	396	352
Other	107	103	100
Uncollectible accounts	—	(2)	(19)
Total operating revenues	1,635	1,661	1,607
Operating expenses:			
Purchased water	(200)	(239)	(346)
Maintenance and other operating expenses	(773)	(768)	(635)
Depreciation and amortization	(255)	(236)	(219)
Total operating expenses	(1,228)	(1,243)	(1,200)
Operating income	407	418	407
Nonoperating revenues (expenses):			
Net investment income (loss)	32	13	(34)
Federal bond subsidies	13	14	14
Grant revenues (expenses), net	1	—	—
Other nonoperating revenues (expenses), net	3	(8)	11
Debt expense, net	(236)	(217)	(207)
Total nonoperating expense, net	(187)	(198)	(216)
Income before capital contributions	220	220	191
Capital contributions	239	93	41
Increase in net position	459	313	232
Beginning balance of net position	4,230	3,917	3,685
Ending balance of net position	$ 4,689	4,230	3,917

(Continued)

Assets and Deferred Outflows

Utility Plant

The Water System utility plant assets fall into five major categories–source of water supply, pumping, purification, distribution, and general (water infrastructure). Each category of assets is important for providing water services and has a specific purpose. During fiscal years 2024 and 2023, the Water System's net utility plant increased $511 million and $654 million, respectively. Net utility plant consists of significant investments in water infrastructure less accumulated depreciation.

During fiscal year 2024, utility plant additions totaled $781 million. Approximately, $325 million of the $781 million in additions were construction work in progress (CWIP) expenditures and $456 million comprises direct additions by utility plant categories. Approximately, $94 million in CWIP projects were transferred from CWIP to plant accounts. Major CWIP additions/expenditures during the year included: $56 million for the North Haiwee Dam #2 Seismic Improvement project, $38 million for the Tujunga and North Hollywood centralized treatment projects to remove contamination, $17 million for the Headworks Flow Control Station project, $15 million for the River Supply Conduit Lower Reach Unit 1 installation project, $14 million for the City Trunk Line North Unit #2 installation project, $12 million for the North Hollywood West Wellhead Water Treatment project, $9 million for the City Trunk Line North Unit #1 replacement project, $9 million for modular office construction at the Van Norman and Silverlake Complex, and $8 million for the Owens Lake Dust Mitigation Program. Approximately, $81 million and $13 million of additions were transferred from CWIP to distribution and general plant accounts, respectively. Major projects transferred from CWIP included $57 million to perform modifications and replace the floating cover at Green Verdugo Reservoir, and $23 million for mainline replacement at various water districts.

The completion of projects for distribution, source of supply, pumping, purification, and general plant resulted in the $94 million transfer from CWIP to depreciable assets during 2024.

Direct additions are mostly related to improvements in distribution infrastructure as part of the Water System's reliability program. Many of the Water System's assets were installed between 1920 and 1970, thus the reliability program evaluates water main infrastructure to determine which assets should be replaced first to reduce leaks and the frequency of water service disruptions due to water main breaks.

Approximately, $281 million of the additions are for improvements to the distribution system. During fiscal year 2024, the Water System invested $238 million in programs to replace mains, services, reservoirs, tanks, and meters, including continuing replacement of existing meters with lead-free meters and fittings in accordance with the Water System's goal to increase the reliability and safety of its distribution system. Additionally, $7 million was invested in improvements to facilities and yards that support water distribution and $3 million went into installing new fire hydrants as ordered by the fire department to provide fire protection for new construction. A combined total of about $17 million was invested to construct or retrofit regulator stations and regulator vaults, to replace or relocate water facilities in conjunction with LA City Public Works projects, improvements to industrial control systems, improvements to chloramination trailers, anode replacement for corrosion control to improve water distribution infrastructure, and to replace substandard tap housings.

Source of supply additions totaled $51 million in fiscal year 2024 and were primarily attributable to improvements in Owens Lake efficiency measures to reduce the use of water on regulatory requirements, improvements to the Southern and Northern Aqueduct systems, the removal of the old conduit ceiling at the First LA Aqueduct, and groundwater system improvements. During fiscal year 2024, the balance of general plant assets increased by $100 million, mainly due to purchases of approximately $29 million of computers/hardware, distributed processing systems, communication systems, cybersecurity systems, customer service office automation, net amortization of software, and the development of new applications. Other investments in general plant include $58 million of fleet equipment, $4 million for building improvements to general office and fleet facilities, and $4 million in improvements to northern and southern district yards.

During fiscal year 2023, utility plant additions totaled $911 million. Approximately, $477 million of the $911 million in additions were construction work in progress (CWIP) expenditures and $422 million comprises direct additions by utility plant categories. Approximately, $309 million in CWIP projects were transferred from CWIP to plant accounts. Major CWIP additions/expenditures during the year included: $137 million for the Tujunga and North Hollywood centralized treatment projects to remove contamination, $52 million for the River Supply Conduit Upper Reach Unit 7 project, $34 million for the North Haiwee Dam #2 Seismic Improvement project, $19 million for the North Hollywood West Wellhead Water Treatment project, $17 million for the Headworks Flow Control Station project, $12 million for the City Trunk Line North Unit #2 installation project, $11 million for Coronado Trunk Line new regulator station, $11 million for the City Trunk Line North Unit #1 replacement project, and $10 million for the River Supply Conduit Lower Reach Unit 1 installation project. Approximately, $268 million and $23 million of additions were transferred from CWIP to distribution plant accounts and source of water supply accounts, respectively. Major projects transferred from CWIP included $169 million for the Headworks Reservoir West, $48 million for mainline replacement at various water districts, $37 million to construct the Machado Lake Pipeline, and $21 million for installation and remediation of monitoring wells.

The completion of projects for distribution, source of supply, pumping, purification, and general plant resulted in the $309 million transfer from CWIP to depreciable assets during 2023.

Direct additions are mostly related to improvements in distribution infrastructure as part of the Water System's reliability program. Many of the Water System's assets were installed between 1920 and 1970, thus the reliability program evaluates water main infrastructure to determine which assets should be replaced first to reduce leaks and the frequency of water service disruptions due to water main breaks.

Approximately $253 million of the additions are for improvements to the distribution system. During fiscal year 2023, the Water System invested $208 million in programs to replace mains, services, reservoirs, tanks, and meters, including continuing replacement of existing meters with lead-free meters and fittings in accordance with the Water System's goal to increase the reliability and safety of its distribution system. Additionally, $10 million was invested in improvements to facilities and yards that support water distribution and $5 million went into installing new fire hydrants as ordered by the fire department to provide fire protection for new construction. A combined total of about $20 million was invested to construct or retrofit regulator stations and regulator vaults, to replace or relocate water facilities in conjunction with LA City Public Works projects,

(Continued)

improvements to industrial control systems, improvements to chloramination trailers, anode replacement for corrosion control to improve water distribution infrastructure, and to replace substandard tap housings.

Source of supply additions totaled $53 million in fiscal year 2023 and were primarily attributable to improvements in Owens Lake efficiency measures to reduce the use of water on regulatory requirements, improvements to the Southern and Northern Aqueduct systems, the removal of the old conduit ceiling at the First LA Aqueduct, and groundwater system improvements. During fiscal year 2023, the balance of general plant assets increased by $89 million, mainly due to purchases of approximately $26 million of computers/hardware, distributed processing systems, communication systems, cybersecurity systems, customer service office automation, net amortization of software, and the development of new applications. Other investments in general plant include $28 million of fleet equipment, $7 million for building improvements to general office and fleet facilities, and $2 million in improvements to northern district yards.

During fiscal year 2024, accumulated depreciation, net of retirements, increased $226 million. The Water System uses the straight-line depreciation method for all assets based on estimated service lives. The increase in accumulated depreciation was mostly due to depreciation recognized on distribution, source of supply, and general plant assets added during the year.

Source of water supply assets are the assets that the Water System has installed to help ensure an adequate supply of water. The Water System has four major sources of water. These include the following:

- Los Angeles Aqueduct and Second Los Angeles Aqueduct supply imported water from the Owens Valley and the Mono Basin
- Local groundwater supply (with pumping rights in the San Fernando, Sylmar, and Central and West Coast Basins)
- Purchased supply from Metropolitan Water District
- Recycled water

All sources of water, except for recycled water, are supplied for potable use, that is, the water from these sources is of drinkable quality. Table 3 below shows the percentage of water delivered from the major sources:

Table 3 – Sources of Potable Water
Supplied during fiscal years 2024, 2023, and 2022

	Fiscal year 2024		Fiscal year 2023		Fiscal year 2022	
	Millions of gallons	Percentage	Millions of gallons	Percentage	Millions of gallons	Percentage
Source:						
Aqueduct	90,655	64 %	56,612	40 %	18,843	12 %
Wells	2,174	2	9,501	7	17,324	11
Purchases	45,778	32	71,586	51	119,875	75
Recycled w ater	3,240	2	3,055	2	3,920	2
	141,847	100 %	140,754	100 %	159,962	100 %

The Aqueduct provided 64% of the total water supply in fiscal year 2024 compared to 40% in fiscal year 2023.

Water storage during low-demand, cold, or wet periods is essential to provide the capacity needed to supply the extra water needed during warm weather or emergency situations. The Water System's 124 tanks and reservoirs, ranging in size from 10,000 to 60 billion gallons, have a current capacity of approximately 323,820 acre-feet, or 105.5 billion gallons. Nine aqueduct reservoirs provide 96% of the Water System's storage capacity; major and minor distribution reservoirs and tanks provide the remaining 4%.

Further information regarding the Water System's utility plant can be found in note 3 to the financial statements.

Other Noncurrent Assets and Deferred Outflows

During fiscal year 2024, other noncurrent assets had a net increase of $97 million primarily due to an increase of $71 million in net OPEB asset, an increase of $42 million in restricted cash as result of issuance of bonds, an increase of $2 million in investments, offset by a $13 million decrease in regulatory asset related to OPEB, a decrease of $4 million in other regulatory assets, and $1 million decrease in long-term lease receivables. The decrease in regulatory asset related to OPEB was due to actual expense being less than actuarially determined contributions.

During fiscal year 2024, deferred outflows increased approximately $37 million due primarily to an increase in deferred outflows related to pension of $18 million and $17 million related to year-over-year contributions made after the measurement date for pension after measurement date, a $6 million increase in related to debt refunding due to amortization of gains and losses on bond refinancing, a $1 million increase in related to year-over-year contributions made after the measurement date for OPEB, offset by a $5 million decrease for deferred outflows on related to OPEB.

During fiscal year 2023, other noncurrent assets had a net decrease of $563 million primarily due to a decrease of $538 million in net pension asset, decrease of $77 million in net OPEB asset, decrease of $47 million in

regulatory asset related to OPEB, and a decrease of $5 million in other regulatory assets offset by a $104 million increase in restricted cash as a result of issuance of bonds. Decreases in regulatory assets related to pension and OPEB were due to actual expense being less than actuarially determined contributions.

During fiscal year 2023, deferred outflows increased approximately $275 million due primarily to an increase in deferred outflows related to pension of $247 million and $16 million related to OPEB, a $13 million increase in deferred outflows related to year-over-year contributions made after the measurement date for pension, a $1 million increase related to year-over-year contributions made after the measurement date for OPEB, offset by a $2 million decrease for deferred outflows on debt refunding due to amortization of gains and losses on bond refinancing.

Current Assets

During fiscal year 2024, current assets had a net increase of $142 million mostly due to a $67 million increase in unrestricted cash, $49 million increase in underrecovered costs as a result of lower revenue generated by lower sales due to record rainfall, a $10 million increase in restricted cash, a $8 million increase in materials and supplies, and $8 million increase in prepayments and other current assets.

During fiscal year 2023, current assets increased a net of $167 million mostly due to a $177 million increase in underrecovered costs as a result of lower revenue generated by lower sales due to record rainfall, a $53 million increase in customer accounts receivable, a $35 million increase in restricted cash, a $5 million increase in materials and supplies, offset by a $103 million decrease in unrestricted cash.

Net Position, Liabilities, and Deferred Inflows

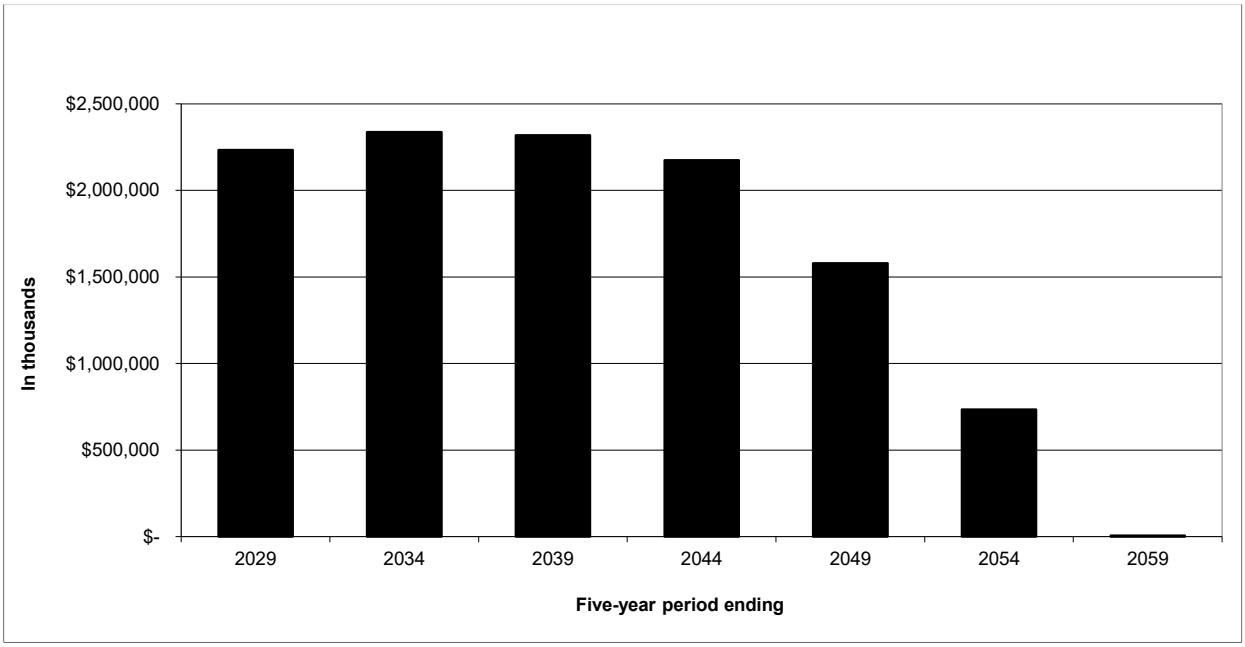
Long-Term Debt

As of June 30, 2024, the Water System's total outstanding long-term debt balance, including the current portion, was approximately $7.51 billion. The increase of $173 million over the previous year's balance was due to $729 million in new debt issuance at par in fiscal year 2024, $117 million in issue premiums, $43 million in loans from the State of California's State Water Resources Control Board (SWRCB) and Department of Water Resources (DWR), offset by scheduled maturities of $138 million, defeasance of $503 million, and $74 million in amortization on premiums and discounts. One bond issuance was used to finance capital improvements and one bond issuance was used to defease debt.

As of June 30, 2023, the Water System's total outstanding long-term debt balance, including the current portion, was approximately $7.34 billion. The increase of $465 million over the previous year's balance was due to $895 million in new debt issuance at par in fiscal year 2023, $108 million in issue premiums, $21 million in loans from the SWRCB, offset by scheduled maturities of $125 million, defeasance of $363 million, and $71 million in amortization on premiums and discounts. Two bond issuances were used to defease debt and finance capital improvements.

Scheduled payments of principal, plus scheduled interest as of June 30, 2024, are shown in the chart below:

Chart: Debt Service Requirements



In May 2024, Moody's Investors Service, Fitch Ratings, S&P Global Ratings, and Kroll Bond Rating Agency affirmed the Water System's bond rating of Aa2, AA, AA+, and AA+, respectively. The Water System maintained each of their respective bond ratings as of June 30, 2024.

The Master Bond Resolution allows for parity debt to be issued as long as the Water System's adjusted net income for the applicable calculation period is at least 1.25 times the maximum annual adjusted debt service. The debt service coverage ratio is computed by taking operating revenue less operating expense excluding depreciation expense to calculate net revenue. Net revenue is then divided by the current debt service. During fiscal years 2024 and 2023, the Water System debt service coverage ratio was 2.19 and 1.94, respectively.

Additional information regarding the Water System's long-term debt can be found in note 6 to the financial statements.

Other Long-Term Liabilities and Deferred Inflows

During fiscal year 2024, other long-term liabilities had a net increase of $68 million primarily due to an increase in overrecovered costs pension of $54 million, an increase in overrecovered costs OPEB of $24 million, a $5 million increase in accrued workers' compensation liability, offset by a decrease of $14 million in net pension liability as a result of a 7.49% return, which was higher than the assumed return of 6.50%, and a decrease of $1 million in other noncurrent liability.

During fiscal year 2024, deferred inflows increased approximately $39 million due primarily to an increase in deferred inflows related to OPEB of $29 million and $15 million related to debt refunding, offset by a $5 million decrease for deferred inflows on related to pension.

During fiscal year 2023, other long-term liabilities had a net increase of $320 million primarily due to an increase in net pension liability of $202 million as a result of a (5.37)% return which was lower than the assumed return of 7% resulting in an unfavorable investment return during the year and changes in actuarial assumptions, a $99 million increase in over recovered costs pension, a $14 million increase in other noncurrent liability, and a $5 million increase in accrued workers' compensation liability.

During fiscal year 2023, deferred inflows decreased approximately $672 million due primarily to a decrease in deferred inflows related to pension of $580 million and $108 million related to OPEB, offset by a $16 million increase for deferred inflows on related to debt refunding due to amortization of gains and losses on bond refinancing.

Current Liabilities

During fiscal year 2024, current liabilities increased $53 million primarily due to an increase of $50 million in accounts payable and accrued expenses, an increase of $110 million in the interfund balance due to the Power System, and $2 million increase in accrued interest, offset by a decrease of $100 million in line of credit, and $9 million decrease in accrued employee expenses.

During fiscal year 2023, current liabilities increased $121 million primarily due to an issuance of $100 million in line of credit, an increase of $28 million in accrued employee expenses, an increase of $26 million in customer deposits, an increase of $17 million in accrued interest, an increase of $13 million in the interfund balance due to the Power System, an increase of $13 million in long-term debt current portion, offset by a decrease of $8 million in obligations under securities lending transactions, and $68 million decrease in accounts payable.

Changes in Net Position

Revenue

The operating revenue of the Water System is generated from selling water to its customers. The current water rate ordinance effective April 15, 2016 has two components, a base rate and adjustable rates, which are referred to as pass-through rates. The pass-through rates are in place to recover the cost of specific expenses. These specific expenses include purchased water, water quality, reclaimed water, demand-side management (or conservation expense), water security, Owens Valley regulatory, and low-income subsidy credits. As a result of the inclusion of pass-through rates in the water rates, revenue can increase or decrease from one year to the next based on the Water System incurring greater or smaller expenses in these categories.

The Water System has five major customer categories. These categories include residential, multiple-dwelling units, commercial, industrial, and other. Table 4 below summarizes the percentage contribution of revenue from each customer category during fiscal years 2024, 2023, and 2022:

Table 4 – Revenue and Percentage of Revenue by Customer Class
(Amounts in thousands other than percentages)

	Fiscal year 2024		Fiscal year 2023		Fiscal year 2022	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Type of customer:						
Residential	$ 611,195	37 %	$ 607,522	37 %	$ 673,926	42 %
Multiple-dwelling units	545,080	33	557,060	34	500,162	31
Commercial and industrial	372,262	23	395,676	24	351,707	22
Other	106,996	7	102,757	5	99,832	5
Uncollectible accounts	—	—	(1,737)	—	(18,949)	—
	$ 1,635,533	100 %	$ 1,661,278	100 %	$ 1,606,678	100 %

Residential and multiple-dwelling units customers provided between 70% to 73% of the Water System's revenue for the 2024, 2023, and 2022 fiscal years, representing the largest class of customers. As of June 30, 2024, the Water System had approximately 698,000 customers. As shown in table 5 below, 71% of total customers were in the residential customer class as of June 30, 2024, 2023, and 2022:

Table 5 – Number of Customers and Percentage of Customers by Customer Class
(Amounts in thousands other than percentages)

	Fiscal year 2024		Fiscal year 2023		Fiscal year 2022	
	Number	Percentage	Number	Percentage	Number	Percentage
Type of customer:						
Residential	498	71 %	497	71 %	496	71 %
Multiple-dwelling units	125	18	124	18	123	18
Commercial	62	9	62	9	61	9
Industrial	6	1	6	1	6	1
Other, including uncollectible accounts	7	1	8	1	8	1
	698	100 %	697	100 %	694	100 %

During fiscal year 2024, operating revenue decreased by $26 million, or 1.5% from fiscal year 2023.

Operating Expenses

Purchased water expense is generally the single largest expense the Water System incurs each fiscal year and represents the cost of buying water. During fiscal year 2024, the Water System decreased its purchased water costs by $39 million, or 16%, due to a 24% increase in water supplied by the aqueduct and runoff available from snowfall, which decreased the purchases for water. The Water System continues to urge customers to

make water conservation a way of life and has continued to maintain all water conservation policies and programs, and has continued investing in developing local water supplies through stormwater capture and recycled water to protect the City from future drought. See table 3 on page 9 for a summary of sources of water.

Table 6 below summarizes the Water System's operating expenses for fiscal years 2024, 2023, and 2022:

Table 6 – Operating Expenses and Percentage of Expense by Type of Expense
(Amounts in thousands other than percentages)

	Fiscal year 2024		Fiscal year 2023		Fiscal year 2022	
	Expenses	Percentage	Expenses	Percentage	Expenses	Percentage
Type of expense:						
Purchased water	$ 199,804	16 %	$ 238,856	19 %	$ 346,568	29 %
Other operating expenses	513,186	42	526,366	42	430,889	36
Maintenance expense	259,556	21	242,009	20	204,086	17
Depreciation and amortization	254,996	21	236,008	19	218,599	18
	$ 1,227,542	100 %	$ 1,243,239	100 %	$ 1,200,142	100 %

Fiscal Year 2024

During fiscal year 2024, purchased water decreased by $39 million as compared to the prior year. The decrease was the result of maximizing aqueduct deliveries and minimizing metropolitan water district purchases. Other operating expenses included a net decrease due to source of supply, distribution, purification, administrative and general expenses, and amortization.

Fiscal Year 2023

During fiscal year 2023, maintenance and other operating expenses were $133 million higher as compared to the prior year. The increase is primarily comprised of an increase in total maintenance of $38 million and other operating expenses of $95 million. Other operating expenses included a net increase due to source of supply, distribution, purification, and administrative and general corporate expenses.

Nonoperating Revenue and Expenses

Fiscal Year 2024

Fiscal year 2024 nonoperating revenue (expense), net was $29 million higher than in fiscal year 2023. The $29 million increase in nonoperating income can be primarily attributed to a $18 million increase in investment income, a $7 million decrease in other nonoperating expenses, and an increase of $4 million in other nonoperating income.

Capital contributions increased by $146 million from the prior year and can be primarily attributed to an increase of $150 million in Proposition 1 state grant funding, offset by a decrease of $3 million dollars in customer installations, and a decrease of $1 million in other grant funding.

Fiscal Year 2023

Fiscal year 2023 nonoperating revenue (expense), net was $28 million higher than in fiscal year 2022. The $28 million increase in nonoperating income can be primarily attributed to a $47 million increase in investment income, offset by a decrease in overall other nonoperating income (expenses) of $9 million, and a decrease in other nonoperating income of $10 million.

Capital contributions increased by $52 million from the prior year and can be primarily attributed to an increase of $47 million in state grant funding and an increase of $5 million in service installations.

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

Statements of Net Position

June 30, 2024 and 2023

(Amounts in thousands)

Assets and Deferred Outflows		2024	2023
Noncurrent assets:			
Utility plant:			
Source of water supply	$	2,771,534	2,720,421
Pumping		483,847	472,296
Purification		995,045	982,873
Distribution		7,405,347	7,047,801
General		1,218,410	1,139,935
Total		12,874,183	12,363,326
Accumulated depreciation		(4,098,563)	(3,872,881)
Total		8,775,620	8,490,445
Construction work in progress		2,517,934	2,292,130
Total		11,293,554	10,782,575
Investments		56,794	54,092
Cash and cash equivalents – restricted		231,611	189,848
Regulatory assets – other		147,722	152,006
Regulatory asset – OPEB		—	13,482
Net OPEB asset		76,866	5,765
Long-term lease receivable		2,278	3,307
Total noncurrent assets		11,808,825	11,201,075
Current assets:			
Cash and cash equivalents – unrestricted		535,350	467,930
Cash and cash equivalents – restricted		273,360	263,430
Cash collateral received from securities lending transactions		881	3,010
Customer and other accounts receivable, net of $52,715 and $58,773 allowance for losses for 2024 and 2023, respectively		170,859	170,756
Underrecovered costs		433,109	383,592
Materials and supplies		52,079	43,640
Prepayments and other current assets		45,206	36,765
Total current assets		1,510,844	1,369,123
Total assets		13,319,669	12,570,198
Deferred outflows – debt refunding		7,148	987
Deferred outflows – pension		293,436	275,154
Deferred outflows – OPEB		40,869	46,204
Deferred outflows – pension contributions made after measurement date		136,653	119,613
Deferred outflows – OPEB contributions made after measurement date		43,852	42,739
Total deferred outflows		521,958	484,697
Total assets and deferred outflows	$	13,841,627	13,054,895

(Continued)

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

Statements of Net Position

June 30, 2024 and 2023

(Amounts in thousands)

Net Position, Liabilities, and Deferred Inflows		2024	2023
Net position:			
Net investment in capital assets	$	3,831,465	3,461,826
Restricted:			
Debt service		144,069	134,788
Other purposes		60,511	57,187
Unrestricted		653,345	576,671
Total net position		4,689,390	4,230,472
Long-term debt, net of current portion		7,327,675	7,158,875
Other noncurrent liabilities:			
Accrued workers' compensation claims		35,545	30,949
Net pension liability		188,730	202,559
Overrecovered costs – pension		243,607	189,222
Overrecovered costs – OPEB		23,947	—
Other noncurrent liability		18,704	19,993
Total other noncurrent liabilities		510,533	442,723
Current liabilities:			
Current portion of long-term debt		126,560	122,669
Current portion of variable rate demand bond liquidity advance not made		58,230	58,230
Accounts payable and accrued expenses		185,910	135,566
Line of credit		—	100,000
Due to Power System		177,801	67,260
Accrued employee expenses		103,803	113,169
Accrued interest		128,497	126,524
Obligations under securities lending transactions		881	3,010
Customer deposits		266,309	268,712
Total current liabilities		1,047,991	995,140
Total liabilities		8,886,199	8,596,738
Deferred inflows – debt refunding		105,690	90,757
Deferred inflows – pension		20,323	25,558
Deferred inflows – OPEB		137,639	108,190
Deferred inflows – leases		2,386	3,180
Total deferred inflows		266,038	227,685
Total net position, liabilities, and deferred inflows	$	13,841,627	13,054,895

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2024 and 2023

(Amounts in thousands)

	2024	2023
Operating revenues:		
Residential	$ 611,195	607,522
Multiple-dwelling units	545,080	557,060
Commercial and industrial	372,262	395,676
Other	106,996	102,757
Uncollectible accounts	—	(1,737)
Total operating revenues	1,635,533	1,661,278
Operating expenses:		
Purchased water	199,804	238,856
Maintenance and other operating expenses	772,742	768,375
Depreciation and amortization	254,996	236,008
Total operating expenses	1,227,542	1,243,239
Operating income	407,991	418,039
Nonoperating revenues (expenses):		
Net investment income	31,458	12,966
Federal bond subsidies	13,185	14,088
Grant revenues	66,556	—
Other nonoperating income	12,079	8,428
Total nonoperating revenue	123,278	35,482
Grant expenses	(65,647)	—
Other nonoperating expenses	(8,927)	(15,685)
Nonoperating revenues, net	48,704	19,797
Debt expenses:		
Interest on debt	236,551	217,421
Total debt expense	236,551	217,421
Income before capital contributions	220,144	220,415
Capital contributions	238,774	92,820
Increase in net position	458,918	313,235
Net position:		
Beginning of period	4,230,472	3,917,237
End of period	$ 4,689,390	4,230,472

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2024 and 2023

(Amounts in thousands)

	2024	2023
Cash flows from operating activities:		
Cash receipts:		
Cash receipts from customers	$ 1,757,418	1,528,051
Cash receipts from customers for other agency services	659,171	650,919
Cash receipts from interfund reimbursements	813,425	690,780
Other cash receipts	12,324	6,305
Cash disbursements:		
Cash payments to employees	(538,171)	(454,876)
Cash payments to suppliers	(553,468)	(461,598)
Cash payments for interfund reimbursements	(774,323)	(894,999)
Cash payments to other agencies for fees collected	(646,699)	(658,615)
Cash payments for property taxes	(21,834)	(20,333)
Net cash provided by operating activities	707,843	385,634
Cash flows from noncapital financing activities:		
Proceeds from line of credit for operations	—	100,000
Payments on line of credit for operations	(100,000)	—
Proceeds from grant receipts	66,556	—
Net cash (used in) provided by noncapital financing activities	(33,444)	100,000
Cash flows from capital and related financing activities:		
Additions to plant and equipment, net	(782,989)	(854,638)
Capital contributions	238,883	97,586
Principal payments and maturities on long-term debt	(107,245)	(94,860)
Proceeds from issuance of bonds	342,506	640,055
Proceeds from California Department of Water Resources loan	42,758	21,410
Payment of California Department of Water Resources loan	(30,908)	(30,586)
Debt interest payments	(300,228)	(254,067)
Federal bond subsidies	13,185	14,088
Net cash used in capital and related financing activities	(584,038)	(461,012)
Cash flows from investing activities:		
Purchases of investment securities	(50,360)	(52,585)
Sale of investment securities	48,179	52,022
Investment income	30,933	13,694
Net cash provided by investing activities	28,752	13,131
Net increase in cash and cash equivalents	119,113	37,753
Cash and cash equivalents:		
Beginning of period	921,208	883,455
Ending of period	$ 1,040,321	921,208

(Continued)

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

Statements of Cash Flows

Years ended June 30, 2024 and 2023

(Amounts in thousands)

	2024	2023
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 407,991	418,039
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	254,996	236,008
Provision for losses on customer and other receivables	—	1,737
Changes in assets and liabilities:		
Customer and other accounts receivable	(65,626)	(55,937)
Underrecovered costs	(49,517)	(177,147)
Due to Power System	110,541	13,509
Materials and supplies	(8,439)	(5,701)
Regulatory asset – other	(12,731)	(10,833)
Regulatory asset – OPEB	13,482	47,013
Overrecovered costs – pension	54,385	99,267
Overrecovered costs – OPEB	23,947	—
Other noncurrent liability	(1,289)	13,544
Accounts payable and accrued expenses	84,375	(88,589)
Prepayment and other current assets	(8,441)	(6,179)
Customer deposits	(1,603)	21,425
Accrued employee expenses	(9,366)	27,972
Deferred outflows	(31,100)	(276,740)
Net pension asset/liability	(13,829)	740,565
Net OPEB asset/liability	(71,101)	77,123
Deferred inflows – pensions and OPEB	24,214	(687,227)
Deferred inflows – leases	(794)	(29)
Accrued workers' compensation claims and other	7,748	(2,186)
Net cash provided by operating activities	$ 707,843	385,634

Supplemental disclosure of noncash capital and relating financing activities:

During the year ended June 30, 2024, the Water System issued revenue bonds to refund previously issued debt. The $252.9 million of proceeds were deposited immediately into an irrevocable trust for the defeasance of $253.2 million of debt. Additionally, $256.4 million of proceeds was deposited immediately to a paying agent for the redemption of $250.0 million of debt. The net gain on refunding, after the write-off of previously recorded unamortized premiums, resulted in $17.2 million, which will be amortized over the debt repayment period and recorded as a deferred inflow.

During the year ended June 30, 2023, the Water System issued revenue bonds to refund previously issued debt. The $363.6 million of proceeds were deposited immediately into an irrevocable trust for the defeasance of $363.5 million of debt. The net gain on refunding, after the write-off of previously recorded unamortized premiums, resulted in $21.6 million, which will be amortized over the debt repayment period and recorded as a deferred inflow.

Accounts payable related to capital expenditures totaled $55.3 million and $89.3 million during fiscal years 2024 and 2023, respectively.

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Los Angeles Department of Water and Power (the Department) exists as a separate department of the City of Los Angeles (the City) under and by virtue of the City Charter enacted in 1925 and as revised effective July 2000. The Department's Water Revenue Fund (Water System) is responsible for the procurement, quality, and distribution of water for sale in the City. The Water System is operated as an enterprise fund of the City.

(a) Method of Accounting

The accounting records of the Water System are maintained in accordance with U.S. generally accepted accounting principles (GAAP) for state and local governmental entities. The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The Water System is accounted for as an enterprise fund and applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in its accounting and reporting.

The financial statements of the Water System are intended to present the net position and the changes in net position and cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of the Water System. These financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in conformity with GAAP.

The Water System's rates are determined by the Board of Water and Power Commissioners (the Board) and are subject to review and approval by the Los Angeles City Council (the Council). As a regulated enterprise, the Water System follows the regulatory accounting criteria set forth in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which requires that the effects of the rate-making process be recorded in the financial statements. Such effects primarily concern the time at which revenue and expenses are recorded in net position. Accordingly, the Water System records various regulatory assets and liabilities to reflect the Board's actions by deferring expenses and revenue that are recoverable or payable from rates provided in the water rate ordinance. Regulatory liabilities are comprised of overrecovered costs and deferred inflows and regulatory assets are comprised of underrecovered costs (note 4e), regulatory assets, and deferred outflows in the statements of net position. Management believes that the Water System meets the criteria for continued application and will continue to evaluate its applicability based on changes in the regulatory environment. See note 4.

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Utility Plant

The costs of additions to utility plant and replacements of retired units of property are capitalized. Costs include labor, materials, and allocated indirect charges, such as engineering, supervision, transportation and construction equipment, retirement plan contributions, healthcare costs, and certain administrative and general expenses. The costs of maintenance, repairs, and minor replacements are charged to the appropriate operations and maintenance expense accounts.

(d) Intangibles

The Water System follows GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires that an intangible asset be recognized in the statements of net position only if it is considered identifiable. Additionally, it establishes a specified-conditions approach to recognize intangible assets that are internally generated. Effectively, outlays associated with the development of such assets are not capitalized until certain criteria are met. Outlays incurred prior to meeting these criteria are expensed as incurred. Intangible assets include land easements, water rights, and computer software and are capitalized and included in general utility plant on the statements of net position.

(e) Impairment of Long-Lived Assets

The Water System follows GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (GASB 42). Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Under GASB 42, impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the government should be measured using the method that best reflects the cause of the diminished service utility of the capital asset.

(f) Depreciation and Amortization

Depreciation expense is computed using the straight-line method based on service lives. The Water System uses the composite method of depreciation, and therefore, groups assets into composite groups for purposes of calculating depreciation expense. Estimated service lives range from 5 to 70 years. Amortization expense for computer software is computed using the straight-line method over 5 to 15 years. Depreciation and amortization expense as a percentage of average depreciable utility plant in service was 2.1% and 2.0% for fiscal years ended June 30, 2024 and 2023, respectively.

(g) Cash and Cash Equivalents

As provided for by the State of California Government Code (the Code), the Water System's cash is deposited with the City Treasurer in the City's general investment pool for the purpose of maximizing interest earnings through pooled investment activities. The Water System considers the cash on deposit with the City Treasurer to be demand deposits as the amounts are available on demand without prior notice or penalty. Cash and cash equivalents in the City's general investment pool are reported at fair value on a recurring basis, and changes in unrealized gains and losses are recorded in

the statements of revenues, expenses, and changes in net position. Interest earned on such pooled investments is allocated to the participating funds based on each fund's average daily cash balance during the allocation period. The City Treasurer invests available funds of the City and its independent operating departments on a combined basis. The Water System classifies all cash and cash equivalents that are restricted either by creditors, the Board, or by law as restricted cash and cash equivalents on the statement of net position. The Water System considers its portion of pooled investments in the City's pool to be cash and cash equivalents and the unspent construction funds as long-term restricted cash and cash equivalents.

At June 30, 2024 and 2023, restricted cash and cash equivalents include the following (amounts in thousands):

	June 30	
	2024	**2023**
Bond redemption and interest funds	$ 242,598	234,993
Other restricted funds	30,762	28,437
Restricted cash and cash equivalents – current portion	273,360	263,430
Self-insurance fund	29,750	28,750
State Loans Reserve	30,027	26,379
Construction funds	171,834	134,719
Restricted cash and cash equivalents – noncurrent	231,611	189,848
Total restricted cash and cash equivalents	$ 504,971	453,278

(h) Customer and Other Accounts Receivable and Allowance for Doubtful Accounts

The Water System's accounts receivables are reported net of allowance for losses. Customer account receivables result from the sale of water to City residents. Other receivables consist of billings to customers, federal, state, and local governments for work performed to improve or enhance water distribution, and other miscellaneous receivables.

The Water System's residential customers are billed bimonthly, and customers on monthly billings include commercial, governmental, and industrial. The Water System records an estimate for uncollectible accounts for its receivables based on an analysis of the balances in the Water System's accounts receivable aging reports. These estimates are reviewed and adjusted annually.

The Water System records bad debt for its estimated uncollectible accounts related to water customer and noncustomer billings as a reduction in the Water operating revenue.

At June 30, 2024 and 2023, customer and other accounts receivable include the following (amounts in thousands):

	June 30	
	2024	**2023**
Customer and other accounts receivable	$ 223,574	229,529
Allowance for losses	(52,715)	(58,773)
Customer and other accounts receivable, net	$ 170,859	170,756

(i) Materials and Supplies

Materials and supplies are recorded at average cost.

(j) Accrued Unbilled Revenue

Accrued unbilled revenue is the receivable for estimated water sales during the period at the appropriate rates for which service has been provided but the customer has not been billed. See note 1(p).

(k) Investments

The Water System follows GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and fair value reporting issues related to fair value measurements by clarifying the definition of fair value, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. This statement established a three-level hierarchy of inputs to valuation techniques used to measure fair value. The Water System's investments consist of investments held in the Water Expense Stabilization Fund to stabilize water rates. Investments are reported at fair value on a recurring basis, and changes in unrealized gains and losses are recorded in the statements of revenue, expenses, and changes in net position. See note 5.

(l) Accrued Employee Expenses

Accrued employee expenses include accrued payroll and an estimated liability for vacation leave, sick leave, and compensatory time, which are accrued when employees earn the rights to the benefits. Below is a schedule of accrued employee expenses as of June 30, 2024 and 2023 (amounts in thousands):

	June 30	
	2024	**2023**
Type of expense:		
Accrued payroll	$ 24,434	22,099
Accrued vacation	54,713	51,548
Accrued sick leave	9,269	8,855
Compensatory time	15,387	30,667
Total	$ 103,803	113,169

(m) Debt Expenses

Debt premiums and discounts are capitalized and amortized to debt expense using the effective-interest method over the lives of the related debt issues. Gains and losses on refunding related to bonds redeemed by proceeds from the issuance of new bonds are reported as deferred inflows or outflows of resources and amortized to interest expense using the effective-interest method over the shorter of the life of the new bonds or the remaining term of the bonds refunded. Debt issuance costs are expensed in the year incurred.

(n) Accrued Workers' Compensation Claims

Liabilities for unpaid workers' compensation claims are recorded at their estimated net present value. See note 9.

(o) Customer Deposits

Customer deposits represent deposits collected from customers upon opening new accounts. These deposits are obtained when the customer does not have a previously established credit history with the Department. Original deposits plus interest are paid to the customer after deduction of any unpaid charges or indebtedness due to the Department upon termination of service. An active service account is eligible for deposit refund review once a satisfactory payment history is maintained, generally after two to three years.

The Water System is responsible for collection, maintenance, and refunding of these deposits for all Department customers, including those of the Department's Power Revenue Fund (Power System). As such, the Water System's statements of net position include a deposit liability of $266 million and $269 million as of June 30, 2024 and 2023, respectively, for all customer deposits collected.

(p) Revenue

The Water System's rates are established by a rate ordinance set by the Board based on its powers and duties established in Section 676 of the City Charter. The Water System sells water to other City Departments at rates provided in the ordinance. The Water System recognizes water costs in the period incurred and accrues for estimated water sold but not yet billed.

Revenue consists of billings to customers for water consumption at rates specified in the water rate ordinance. These rates include cost adjustment factors that provide the Water System with full recovery of water supply costs; water quality improvement expenditures; base rate revenue based upon established revenue targets published for each major customer class; Owens Valley regulatory costs; lifeline and low-income customer adjustments; water infrastructure costs; and funds maintained to cover costs in the event of unforeseen events impacting water service delivery. Management estimates these costs biannually and annually for a 12-month prospective period to establish the cost recovery component of customer billings, and any difference between billed and actual costs is adjusted in subsequent billings. This difference of $300 million and $269 million is considered a regulatory asset and reported as a component of underrecovered costs in the accompanying statements of net position as of June 30, 2024 and 2023, respectively. See note 4. The remaining portion of underrecovered costs of $133 million and $114 million relates to accrued unbilled amounts related to costs incurred during the years ended June 30, 2024 and 2023 that will be billed with the current fiscal year's customer consumption but have not been billed at fiscal year-end as the consumption period and billing period have not yet ended.

Revenues from Federal and State Grants are recognized when all applicable eligibility requirements, including time requirements, are met.

(q) Current Rate Ordinance

The current water rate ordinance has been in effect since April 15, 2016, and reflects the most recent rate ordinance still in effect. The water rates are set for each customer class based upon a completed formal marginal cost of service study, which is common industry practice.

For single-family residential customers, water budgets are utilized to design an expanded four-tier rate structure. The rate structure provides water conservation signals with tier thresholds set based on indoor and outdoor water budgets, which encourage conservation. Tier 1 provides 800 cubic feet for basic indoor water needs. Tier 2 provides water levels for efficient outdoor native landscaping. Tier 3 provides water levels, which represent much less efficient outdoor irrigation and nondrought-tolerant landscaping, and Tier 4 represents excessive water usage. Tiers 2 and 3 allotments also vary based on temperature zone and lot size.

Single-family residential rates are developed to recover the revenue requirement associated with providing service to this class while recognizing the increasing cost of providing water at higher levels of usage. The major differentiating amounts between tier rates are water supply costs, peak pumping, and storage costs. The Tier 1 rate represents indoor basic needs met by the least expensive sources of water supply; the Tier 2 rate covers efficient outdoor water use and reflects water supplies, which include some expensive sources of water; the Tier 3 rate is for above-average outdoor use, which may

require more expensive sources of water supply; and the Tier 4 rate is for excessive use and may include the most costly sources of water supply.

The two-tier structure of the multifamily customer class has been maintained from prior rate ordinances. Multifamily tier thresholds are set based on prior winter usage characteristics for each customer. Water allotments still provide incentives for additional conservation with Tier 1 allotment reductions applied in the second (93%), third (88%), fourth (88%), and fifth (88%) year of the five-year rate action.

The major differentiating amounts between the two-tier structure of multifamily rates are water supply costs, peak pumping, and storage costs. Tier 1 rates reflect water supplies, which include the less expensive sources of water, and the Tier 2 rate includes the higher costs of water supply sources.

The two-tier structure of the commercial and industrial customer class has been maintained from prior rate ordinances. High and Low Season Tier thresholds are also set based on prior winter usage characteristics for each customer. Water budgets still provide incentives for additional conservation with Low Season Tier 1 allotments set at 100% of prior winter usage and the High Season Tier 1 allotment set at 105% of prior winter usage.

Like the multifamily customer class, the major differentiating costs between the two-tier structure of the commercial and industrial rates are water supply costs, peak pumping costs, and storage costs. The Tier 1 rate reflects water supplies, which include the less expensive sources of water and the Tier 2 rate includes the higher costs of water supply sources.

The rates still reflect equity consideration for water-intensive businesses and other customers having high seasonal variation in their water usage. Fixed monthly service availability charges apply only to private fire service.

The Water System’s rate ordinance contains a Water Supply Cost Adjustment Factor, a Water Quality Improvement Adjustment Factor, a Base Rate Revenue Target Adjustment Factor, an Owens Valley Regulatory Adjustment Factor, a Low-Income Subsidy Adjustment Factor, a Water Infrastructure Adjustment Factor, and a Water Expense Stabilization Factor. These factors are recovered by direct adjustments to customers’ bills. The Water Supply Cost Adjustment Factor recovers the cost of Los Angeles Aqueduct water, purchased water, including water purchased from the Metropolitan Water District, groundwater, water conservation, recycled water, and any additional water supply source expenses. The Water Quality Improvement Factor recovers expenditures to equalize water quality throughout the City, to meet state and federal water quality standards, and to provide security for water supply, storage, and conveyance infrastructure and related facilities. The Base Rate Revenue Target Adjustment recovers any shortage in revenue from base rates or credits back any excess collection of revenue from base rates due to variation in water sales from established revenue targets published for each major customer class. The Owens Valley Regulatory Adjustment factor recovers expenditures for the Owens Lake Dust Mitigation Program, the Lower Owens River Project, and the Owens Lake Master Project. The Low-Income Subsidy Adjustment Factor recovers the cost of credits provided to lifeline and low-income customers. The Water Infrastructure Adjustment Factor recovers capital costs associated specifically with infrastructure investments to maintain and improve the reliability of the

water distribution system, and the Water Expense Stabilization Factor recovers funds 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.

Operating revenue is revenue generally derived from activities that are billable in accordance with the water rate ordinance established by the City of Los Angeles. Other types of revenue are generally considered nonoperating.

The Los Angeles Superior Court ruled, in Case No. 19STCV07272, that the Water System can no longer charge the Low-Income Subsidy Adjustment and ordered the Water System to stop billing said adjustment. Due to this decision, effective July 20, 2023, the Water System removed the water Low-Income discount and the water Lifeline Customer discount from customer bills.

(r) Capital Contributions

Capital contributions and other grants received by the Water System are for constructing utility plant and other activities and are recognized when all applicable eligibility requirements, including time requirements, are met.

(s) Use of Restricted and Unrestricted Resources

The Water System's policy is to use unrestricted resources prior to restricted resources to meet expenses to the extent that it is prudent from an operational perspective. Once it is not prudent, restricted resources will be utilized to meet intended obligations.

(t) Pensions

Eligible employees of the Water System are members of the Water and Power Employees' Retirement Plan (the Plan), which is a single employer defined-benefit pension plan. The Water System's policy is to fund all the required actuarially determined contributions; such costs to be funded are determined annually as of July 1 by an actuary utilized by the Plan. The assets of the Plan are accumulated and reported at fair value in a special trust fund of the City and, therefore, are not reported in the accompanying financial statements.

The Water System recognizes a net pension liability, which represents the Water System's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension plan as reflected in the financial statements of the Plan. The net pension liability is measured as of the Water System's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension

expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition. Contributions made after the measurement date are recorded as deferred outflows.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the Water System's pension plan and additions to/deductions from the Plan's fiduciary net position has been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

(u) Other Postemployment Plan Benefits

Eligible employees of the Water System are members of the Water and Power Employees' Retirement Plan, which comprises a single-employer defined-benefit plan and a system of benefits. In addition to pension benefits, retirees can also receive other postemployment benefits (OPEB), mainly, healthcare and death benefits. The level of benefits is determined based on their years of civil service, age, and which pension tier they belong to.

The Water System's policy is to fund all the required actuarially determined contributions; such costs to be funded are determined annually as of July 1 by an actuary utilized by the Plan. The assets of the Plan are accumulated and reported at fair value in a special trust fund of the City and, therefore, are not reported in the accompanying financial statements.

The Water System recognizes a net OPEB liability (asset), which represents the Water System's proportionate share of the excess of the total OPEB liability over the fiduciary net position of the Plan as reflected in the financial statements of the Plan. The net OPEB liability (asset) is measured as of the Water System's prior fiscal year-end. Changes in the net OPEB liability (asset) are recorded, in the period incurred, as OPEB expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net OPEB liability (asset) that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of OPEB expense beginning with the period in which they are incurred. Projected earnings on pension investments are recognized as a component of OPEB expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition. Contributions made after the measurement date are recorded as deferred outflows and a reduction to the OPEB regulatory asset.

For purposes of measuring the net OPEB liability (asset) and deferred outflows/inflows of resources relating to OPEB and OPEB expense, information about the fiduciary net position of the Water System's Plan and additions to/deductions from the Plan's fiduciary net position has been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including

refunds of employee contributions) are recognized when due and payable in accordance with the benefit's terms.

(v) Leases

The Water System follows GASB Statement No. 87, *Leases*, which provides a methodology for identifying and reporting lease arrangements and obligations. The Water System is both a lessor and a lessee:

(i) Lessor

The Water System is a lessor for various noncancelable leases covering building, land and improvements. For leases with a maximum possible term of 12 months or less at commencement, the Water System recognizes revenue based on the provisions in each contract. For all other leases (i.e., those that are not short term), the Water System recognizes a lease receivable and deferred inflows of resources in accordance with GASB Statement No. 87.

At lease commencement, the Water System initially measures the lease receivable at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts, if any. If the present value of payments expected to be received is below the $100 thousand materiality threshold, then revenues will be recognized as short-term leases. Subsequently, for all other leases, the lease receivable is reduced by the principal portion of lease payments received.

As a lessor, the Water System's long-term Ranch Leases (land) cover a period of five years. The lease terms for these leases are determined each year and are based on three valuation components including 1) utility of land, 2) operating structures and 3) rental adjustments based on priced indexes specified in each lease.

On behalf of the Customer Service Division (CSD), the Department purchased a six-story Class A office building consisting of approximately 83,904 square feet and approximately 315 parking spaces on approximately 1.59 acres of land. The property was delivered to the Department partially occupied by six existing tenants. Two of the lease agreements and tenancies expired as of December 2023 and three of the lease agreements and tenancies will expire by June 2026. The lease agreement with the remaining tenant, a telecommunications facility located on the roof of the building, will expire by November 2031. The Department does not intend to extend any of the lease terms or renew any of the lease agreements with the existing tenants. The building cost and the future rental incomes will be shared by both the Water and Power Systems.

The deferred inflows of resources are initially measured as the initial amount of the lease receivable plus any prepaid lease payments at or before the lease commencement less any lease incentives paid at or before the lease commencement. Subsequently, the Water System recognizes the deferred inflow of resources as inflows of resources on a straight-line basis over the remaining term of the lease.

The Water System used the long-term average Weighted Average Cost of Capital (WACC) for AA-rated utilities as the discount rate for leases, which approximates the Water System's incremental borrowing rate.

The lease term includes the period during which a lessee has a noncancelable right to use an underlying asset plus any additional periods covered where the lessor and/or the lessee have the option to extend the lease and that option is reasonably certain to be exercised. The lease term also includes periods where only the lessor or lessee has the option to terminate the lease, if this termination is reasonably certain not to be exercised. Periods where both the lessee and the lessor have an option to terminate the lease without permission from the other party are cancelable periods and are excluded from lease term.

The Water System monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable, the lease receivable is remeasured and a corresponding adjustment is made to the lease asset. There was no remeasurement of leases during fiscal year 2024.

Lease receivables are reported with long-term receivables under noncurrent assets and the corresponding deferred inflows are reported with other deferred inflows in the statement of net position.

The Water System had the following lessor activities during fiscal year 2024 (amounts in thousands):

	Balances June 30, 2023	Leases and additions	Remeasure-ments	Deductions	Balance, June 30, 2024
Lessor:					
Lease receivable – GASB 87	$ 3,307	—	—	(1,029)	2,278
Deferred inflows – GASB 87	3,180	—	—	(794)	2,386

The Water System had the following lessor activities during fiscal year 2023 (amounts in thousands):

	Balances June 30, 2022	Leases and additions	Remeasure-ments	Deductions	Balance, June 30, 2023
Lessor:					
Lease receivable – GASB 87	$ 3,470	724	—	(887)	3,307
Deferred inflows – GASB 87	3,209	724	—	(753)	3,180

(ii) Lessee

The Water System is a lessee for various noncancelable leases of buildings, vehicles and land. For leases with a maximum possible term of 12 months or less at commencement, the Water System recognizes expense based on the provisions of the lease contract. For all other leases (i.e., those

that are not short term), the Water System recognizes a lease liability and an intangible right-of-use lease asset.

At lease commencement, the Water System initially measures the lease liability at the present value of payments expected to be made during the lease term. If the present value of payments expected to be made is below the $100 thousand materiality threshold, then expenses will be recognized as short-term leases. Subsequently, for all other leases, the lease liability is reduced by the principal portion of lease payments made at or before the lease commencement date.

The lease asset (right-of-use) is initially measured as the initial amount of the lease liability plus ancillary cost to place the asset into use, plus lease payments and lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term. The lease asset is amortized into amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The Water System generally uses its estimated incremental borrowing rate as the discount for leases unless the rate that the lessor/vendor charges is known. The Water System's incremental borrowing rate is based on the long-term average Weighted Average Cost of Capital (WACC) for AA-rated utilities as the discount rate for leases unless the rate that the lessor charges is known. The Water System's incremental borrowing rate for leases is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease under similar terms at the commencement or remeasurement date.

The lease term includes the period during which a lessee has a noncancelable right to use an underlying asset plus any additional periods covered where the lessor and/or the lessee have the option to extend the lease and that option is reasonably certain to be exercised. The lease term also includes periods where only the lessor or lessee has the option to terminate the lease, if this termination is reasonably certain not to be exercised. Periods where both the lessee and the lessor have an option to terminate the lease without permission from the other party are cancelable periods and are excluded from lease term.

The Water System monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease liability, the liability is remeasured and a corresponding adjustment is made to the lease asset. There was no remeasurement of leases during fiscal year 2024.

Lease assets are reported with capital assets and lease liabilities are reported with current liabilities and other noncurrent liabilities (long-term) in the statements of net position.

The Water System had the following lease assets (lessee) during fiscal year 2024 (amounts in thousands):

	Balance, June 30, 2023	Additions	Remeasure-ments	Deductions	Balance, June 30, 2024
Water (Lessee)					
Lease assets:					
Buildings	$ 23,899	—	—	—	23,899
Vehicles	4,069	1,972	—	—	6,041
Land, right-of-use	645	1,041	—	—	1,686
Total lease assets (right-of-use)	28,613	3,013	—	—	31,626
Less accumulated amortization:					
Lease assets:					
Buildings	(3,047)	(2,472)	—	—	(5,519)
Vehicles	(1,331)	(3,541)	—	—	(4,872)
Land, right-of-use	(48)	(171)	—	(123)	(342)
Total accumulated amortization	(4,426)	(6,184)	—	(123)	(10,733)
Total lease assets, net	$ 24,187	(3,171)	—	(123)	20,893

The Water System had the following lease liability (lessee) during fiscal year 2024 (amounts in thousands):

	Balance, June 30, 2023	Additions	Remeasure-ments	Deductions	Balance, June 30, 2024	Amount due in FY 2025
Water:						
Lease liabilities	$ 24,346	3,013	—	(5,994)	21,365	3,976

(Continued)

The Water System had the following lease assets (lessee) during fiscal year 2023 (amounts in thousands):

	Balance, June 30, 2022	Additions	Remeasure-ments	Deductions	Balance, June 30, 2023
Water (Lessee)					
Lease assets:					
Buildings	$ 8,556	15,343	—	—	23,899
Vehicles	1,203	2,866	—	—	4,069
Land, right-of-use	645	—	—	—	645
Total lease assets (right-of-use)	10,404	18,209	—	—	28,613
Less accumulated amortization:					
Lease assets:					
Buildings	(1,279)	(1,768)	—	—	(3,047)
Vehicles	(550)	(781)	—	—	(1,331)
Land, right-of-use	(24)	(24)	—	—	(48)
Total accumulated amortization	(1,853)	(2,573)	—	—	(4,426)
Total lease assets, net	$ 8,551	15,636	—	—	24,187

The Water System had the following lease liability (lessee) during fiscal year 2023 (amounts in thousands):

	Balance, June 30, 2022	Additions	Remeasure-ments	Deductions	Balance, June 30, 2023	Amount due in FY 2024
Water:						
Lease liabilities	$ 8,784	18,209	—	(2,647)	24,346	5,930

(Continued)

As of June 30, 2024, annual principal and interest for the lease liability are as follows (amounts in thousands):

		Principal	Interest
Fiscal year(s) ending June 30:			
2025	$	3,976	801
2026		1,828	786
2027		1,959	710
2028		2,121	624
2029		2,297	526
2030–2034		8,291	965
2035–2039		309	172
2040–2044		325	99
2045–2049		209	42
2050–2054		50	5
Total requirements	$	21,365	4,730

As of June 30, 2023, annual principal and interest for the lease liability are as follows (amounts in thousands):

		Principal	Interest
Fiscal year(s) ending June 30:			
2024	$	5,930	799
2025		1,682	844
2026		1,677	775
2027		1,806	702
2028		1,965	618
2029–2033		10,385	1,445
2034–2038		290	176
2039–2043		367	105
2044–2048		223	38
2049–2053		21	1
Total requirements	$	24,346	5,503

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as expense in the period in which the obligations for those payments are incurred. The amounts recognized as outflows (expense) for variable lease payments not included in the measurement of

the lease liabilities were $717 thousand and $231 thousand during fiscal year 2024 and 2023, respectively.

The Water System, as lessee, has a lease agreement with the City of Los Angeles Department of General Services, as lessor. This lease agreement and any lease agreements with other City departments are excluded from GASB Statement No. 87 because control is not conveyed to another legal entity; hence, these types of lease agreements should not be reported as leases in the Water System's financial statements.

(w) SBITAs

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs),* effective for the Water System's fiscal year beginning July 1, 2022. The objective of this statement is to enhance consistency in accounting and financial reporting by requiring government entities to recognize a right-to-use subscription asset and corresponding subscription liability for such contracts with a specified term. The Water System adopted the provisions of GASB Statement No. 96 on July 1, 2022 and the Water System's financial statements for the fiscal years ended June 30, 2024 and 2023 reflect the implementation of this statement.

The Water System has various noncancelable SBITAs of cloud hosting fees, software subscription fees and enterprise services subscription fees. For SBITAs with a maximum possible term of 12 months or less at commencement, the Water System recognizes expense based on the provisions of the SBITA contract. For all other SBITAs (i.e., those that are not short term), the Water System recognizes a subscription liability and an intangible right-to-use subscription asset.

At the commencement the subscription term, the Water System initially measures the subscription liability at the present value of payments expected to be made during the subscription term. If the present value of payments expected to be made are below the $100 thousand materiality threshold, then expenses will be recognized as short-term subscriptions. Subsequently, for all other subscriptions, the subscription liability is reduced by the principal portion of subscription payments made at or before the subscription commencement date.

The subscription asset (right-of-use) is initially measured as the initial amount of the subscription liability plus payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term plus capitalizable initial implementation costs before the commencement of the subscription term. The subscription asset is amortized into amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset.

The Water System generally uses its estimated incremental borrowing rate as the discount for subscriptions unless the rate that the vendor charges is known. The Water System's incremental borrowing rate is based on the long-term average Weighted Average Cost of Capital (WACC) for AA-rated utilities as the discount rate for subscriptions unless the rate that the SBITA vendor charges is known. The Water System's incremental borrowing rate for subscriptions is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the subscription under similar terms at the commencement or remeasurement date.

The subscription term includes the period during which the Water System has a noncancelable right to use and underlying SBITA asset, plus any additional periods covered by either the Water System or the vendor's unilateral option to (1) extend for which it is reasonably certain to be exercised or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the Water System and the vendor have an option to terminate (or if both parties have to agree to extend) are excluded from the subscription term.

The Water System monitors changes in circumstances that may require remeasurement of subscriptions. When certain changes occur that are expected to significantly affect the amount of the subscription liability, the liability is remeasured and a corresponding adjustment is made to the subscription asset (right-of-use), respectively. There was no remeasurement of subscriptions during fiscal year 2024.

Subscription assets are reported with capital assets and subscription liabilities are reported with current liabilities and other noncurrent liabilities (long-term) in the statement of net position.

The Water System had the following subscription assets during fiscal year 2024 (amounts in thousands):

	Balance, June 30, 2023	Additions	Remeasure-ments	Deductions	Balance, June 30, 2024
SBITAs:					
Subscription assets	$ 2,248	795	—	—	3,043
Less accumulated amortization subscription assets (right-of-use)	(365)	(628)	—	—	(993)
Total SBITA assets, net	$ 1,883	167	—	—	2,050

The Water System had the following subscription liability during fiscal year 2024 (amounts in thousands):

	Balance, June 30, 2023	Additions	Remeasure-ments	Deductions	Balance, June 30, 2024	Amount due in FY 2025
Subscription liability	$ 1,577	795	—	(820)	1,552	235

(Continued)

As of June 30, 2024, annual principal and interest for the subscription liability are as follows (amounts in thousands):

	Principal	Interest
Fiscal year ending June 30:		
2025	$ 235	16
2026	486	72
2027	404	46
2028	427	23
Total requirements	$ 1,552	157

The Water System had the following subscription assets during fiscal year 2023 (amounts in thousands):

	Balance, July 01, 2022	Additions	Remeasure-ments	Deductions	Balance, June 30, 2023
SBITAs:					
Subscription assets	$ 2,248	—	—	—	2,248
Less accumulated amortization subscription assets (right-of-use)	—	(365)	—	—	(365)
Total SBITA assets, net	$ 2,248	(365)	—	—	1,883

The Water System had the following subscription liability during fiscal year 2023 (amounts in thousands):

	Balance, July 01, 2022	Additions	Remeasure-ments	Deductions	Balance, June 30, 2023	Amount due in FY 2024
Subscription liability	$ 2,248	—	—	(671)	1,577	—

(Continued)

As of June 30, 2023, annual principal and interest for the subscription liability are as follows (amounts in thousands):

		Principal	Interest
Fiscal year ending June 30:			
2025	$	363	87
2026		383	67
2027		404	46
2028		427	23
Total requirements	$	1,577	223

Variable payments, excluding those dependent on an index or rate or those that are fixed in substance, are not considered when measuring the subscription liability. These amounts are recognized as expense in the period when the obligation for such payments is incurred.

As of June 30, 2024, the Water System, under the Department of Water and Power, has a SBITA agreement with Workday, Inc. for the purchase of cloud-based, Enterprise Resource Planning (ERP) Software-as-a-Service (SaaS) subscription licenses. The agreement is for a term of five years and currently in the implementation stage.

(2) Recent Accounting Pronouncements

(a) GASB Statement No. 99

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement is effective for the Water System's fiscal year beginning July 1, 2023 for the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53. The Water System adopted these provisions of Statement No. 99 in fiscal year 2024, which did not have a significant impact the financial statements.

(b) GASB Statement No. 100

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*, which establishes accounting and financial reporting requirements for accounting changes and the correction of an error in previously issued financial statements. The Water System adopted the provisions of Statement No. 100 in fiscal year 2024, which did not have a significant impact the financial statements.

(3) Utility Plant

The Water System had the following activity in utility plant during fiscal year 2024 (amounts in thousands):

	Balance, June 30, 2023	Additions	Retirements and disposals	Transfers	Balance, June 30, 2024
Nondepreciable utility plant:					
Land and land rights	$ 216,629	415	—	—	217,044
Construction work in progress	2,292,130	324,683	(5,286)	(93,593)	2,517,934
Total nondepreciable utility plant	2,508,759	325,098	(5,286)	(93,593)	2,734,978
Depreciable utility plant:					
Source of water supply	2,602,690	50,763	—	105	2,653,558
Pumping	470,199	11,550	—	—	481,749
Purification	973,986	12,173	—	—	986,159
Distribution	7,007,688	280,793	(4,219)	80,813	7,365,075
General	1,092,134	100,409	(34,620)	12,675	1,170,598
Total depreciable utility plant	12,146,697	455,688	(38,839)	93,593	12,657,139
Accumulated depreciation:					
Source of water supply	(632,868)	(41,936)	—	—	(674,804)
Pumping	(183,585)	(10,375)	—	—	(193,960)
Purification	(332,180)	(21,058)	—	—	(353,238)
Distribution	(2,175,817)	(122,953)	4,219	—	(2,294,551)
General	(548,431)	(41,615)	8,036	—	(582,010)
Total accumulated depreciation	(3,872,881)	(237,937)	12,255	—	(4,098,563)
Total utility plant, net	$ 10,782,575	542,849	(31,870)	—	11,293,554

(Continued)

The Water System had the following activity in utility plant during fiscal year 2023 (amounts in thousands):

	Balance, June 30, 2022	Additions	Retirements and disposals	Transfers	Balance, June 30, 2023
Nondepreciable utility plant:					
Land and land rights	$ 203,653	12,976	—	—	216,629
Construction work in progress	2,139,016	476,657	(14,388)	(309,155)	2,292,130
Total nondepreciable utility plant	2,342,669	489,633	(14,388)	(309,155)	2,508,759
Depreciable utility plant:					
Source of water supply	2,526,783	53,156	—	22,751	2,602,690
Pumping	449,526	14,146	—	6,527	470,199
Purification	961,986	12,000	—	—	973,986
Distribution	6,491,232	253,377	(4,679)	267,758	7,007,688
General	1,012,213	88,889	(21,087)	12,119	1,092,134
Total depreciable utility plant	11,441,740	421,568	(25,766)	309,155	12,146,697
Accumulated depreciation:					
Source of water supply	(592,496)	(40,372)	—	—	(632,868)
Pumping	(173,560)	(10,025)	—	—	(183,585)
Purification	(311,454)	(20,726)	—	—	(332,180)
Distribution	(2,065,200)	(115,296)	4,679	—	(2,175,817)
General	(513,588)	(35,916)	1,073	—	(548,431)
Total accumulated depreciation	(3,656,298)	(222,335)	5,752	—	(3,872,881)
Total utility plant, net	$ 10,128,111	688,866	(34,402)	—	10,782,575

Depreciation and amortization expense was $255 million and $236 million during fiscal years 2024 and 2023, respectively. Depreciation and amortization expense on the statements of revenues, expenses, and changes in net position and cash flows includes amortization expense on software and regulatory assets, which is not included in additions to accumulated depreciation above.

Land and land rights are included in the statement of net position as utility plant assets in their functional category.

(4) Regulatory Assets and Liabilities

Regulatory assets are created by the actions of the Board of Water and Power Commissions by deferring certain expenses that are recoverable by future rate charges in accordance with the current rate

(Continued)

ordinances, so as to more evenly match the recognition of revenue and expenses with the water rates charged to retail customers.

Below is a summary of the Water System's regulatory assets (amounts in thousands):

Description	June 30, 2023	Additions	Reductions	June 30, 2024
Assets:				
(a) Regulatory assets – water conservation rebates	$ 97,754	10,628	(14,022)	94,360
(b) Regulatory assets – stormwater capture program	45,673	2,101	(1,625)	46,149
(c) Regulatory assets – customer care and billing system	8,579	—	(1,366)	7,213
Regulatory assets – other	152,006	12,729	(17,013)	147,722
(d) Regulatory assets – OPEB	13,482	—	(13,482)	—
(e) Underrecovered costs	269,362	300,378	(269,362)	300,378
Total	$ 434,850	313,107	(299,857)	448,100

Description	June 30, 2022	Additions	Reductions	June 30, 2023
Assets:				
(a) Regulatory assets – water conservation rebates	$ 99,548	10,579	(12,373)	97,754
(b) Regulatory assets – stormwater capture program	47,031	253	(1,611)	45,673
(c) Regulatory assets – customer care and billing system	9,945	—	(1,366)	8,579
Regulatory assets – other	156,524	10,832	(15,350)	152,006
(d) Regulatory assets – OPEB	60,495	—	(47,013)	13,482
(e) Underrecovered costs	89,979	269,362	(89,979)	269,362
Total	$ 306,998	280,194	(152,342)	434,850

(a) Regulatory Assets – Water Conservation Rebates

Water conservation is an integral part of the water resources management efforts and is a key element of maintaining a sustainable supply of water for the City. The Water System provides customers with 26 water conservation programs that are designed to reduce indoor and outdoor water usage. Initially the programs included low-flow showerheads and incentives to customers who purchase the high-efficiency toilets and high-efficiency clothes washing machines in an effort to reduce water use. In 2015, the program was expanded to include outdoor water savings through a turf reduction program to encourage replacing water-guzzling grass with low-water use shrubs and permeable walkways.

(Continued)

As provided in the Water System's rate structure, beginning June 2011, customers' bills include a charge related to water conservation program payments to be collected over the useful life of the program, which ranges from 5 to 20 years. As rates have been established at a level sufficient to recover all such costs, the Water System recorded these costs as a regulatory asset.

(b) Regulatory Assets – Watershed Management Stormwater Capture Program

The goal of the Stormwater Capture Program is to capture stormwater for recharging the basin with water that would otherwise run off to the ocean and, thus, be lost as a usable source to customers. Regulatory assets related to the Watershed Management Programs include investing in dams, reservoirs, and spreading grounds owned by other agencies, but the water collected benefits Water System customers.

As provided in the Water System's rate structure, beginning August 2013, customers' bills include a charge related to payments made related to the Stormwater Capture Program to be collected over a period of at least 20 years. As rates have been established at a level sufficient to recover all such costs, the Water System recorded these costs as a regulatory asset.

(c) Regulatory Assets – Customer Care and Billing System

In 2013, the Water System implemented the customer care and billing system (CC&B). The implementation of the system required significant investment in training of the Water System's employees.

As provided in the Water System's rate structure, beginning January 2014, customers' bills include a charge related to training for the CC&B to be collected over a 15-year period. As rates have been established at a level sufficient to recover all such costs, the Water System recorded a regulatory asset.

(d) Regulatory Assets – OPEB

In connection with the recognition of the net OPEB liability (asset) under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* the Water System established a regulatory asset in the amount of $211.7 million equal to the net OPEB liability (asset) reported at July 1, 2017 less contributions after the measurement date. Amortization of the regulatory asset is the difference between amounts paid toward actuarially determined contributions and actual OPEB expense, which totaled $13.5 million and $47 million for the years ended June 30, 2024 and 2023, respectively. During the year ended June 30, 2024, the difference between amounts paid toward actuarially determined contributions and actual OPEB expense exceeded the remaining balance in the regulatory asset and resulted in the recognition of overrecovered costs – OPEB in the amount of $23.9 million.

(e) Regulatory Assets – Underrecovered Costs

As provided in the Water System Rate Ordinance, the Water System is required to maintain balancing accounts to record differences between specific costs incurred and amounts billed through rates to recover those costs. The net amount of these balancing accounts is presented on the statement of net

position as a current asset when costs are underbilled (underrecovered costs) or as a current liability when costs are overbilled (overrecovered costs). All of these balancing accounts are expected to be settled within a 12-month period through the adjustment of pass-through rates during the billing process and are reported as a component of underrecovered costs in the accompanying statements of net position.

For the years ended June 30, 2024 and 2023, the regulatory asset related to current underrecovered costs of $300 million and $269 million, respectively, were composed of the following (amounts in thousands):

	As of June 30	
	2024	2023
Underrecovered balancing accounts – regulatory asset	$ 303,742	284,762
Less overrecovered balancing accounts – regulatory liability	(3,364)	(15,400)
Net underrecovered balancing accounts – regulatory asset	$ 300,378	269,362

(5) Cash, Cash Equivalents, and Investments

(a) Investments

A summary of the Water System's investments is as follows (amounts in thousands):

	June 30	
Description	2024	2023
Water Expense Stabilization Fund	$ 56,794	54,092

All investments are to be used for a designated purpose as follows:

(i) Water Expense Stabilization Fund

The Water Expense Stabilization Fund was established under the Master Bond Resolution and can be withdrawn upon and applied to any lawful purpose in connection with the Water System.

As of June 30, 2024, the Water System's investments and their maturities are as follows (amounts in thousands):

Type of investments	Fair value	Investment maturities: 1 to 30 days	31 to 60 days	61 to 365 days	366 days to 5 years
U.S. government agencies	$ 38,573	1,999	999	2,973	32,602
Medium-term corporate notes	8,711	1,000	—	—	7,711
Negotiable CDs	6,002	1,000	1,000	4,002	—
California local agency bonds	1,385	—	—	—	1,385
Other state bonds	2,122	—	—	999	1,123
Money market fund	1	1	—	—	—
	$ 56,794	4,000	1,999	7,974	42,821

As of June 30, 2023, the Water System's investments and their maturities are as follows (amounts in thousands):

Type of investments	Fair value	Investment maturities: 1 to 30 days	31 to 60 days	61 to 365 days	366 days to 5 years
U.S. government securities	$ 4,884	—	994	3,890	—
U.S. government agencies	26,231	—	516	17,636	8,079
Supranationals	2,296	—	—	2,296	—
Medium-term corporate notes	7,714	—	—	2,929	4,785
Commercial paper	983	—	—	983	—
Negotiable CDs	7,540	3,999	3,047	494	—
California local agency bonds	1,594	—	1,145	—	449
California state bonds	729	—	—	729	—
Other state bonds	2,106	—	—	991	1,115
Money market fund	15	15	—	—	—
	$ 54,092	4,014	5,702	29,948	14,428

(ii) Interest Rate Risk

The Water System's investment policy limits the maturity of its investments to a maximum of 30 years for U.S. government agency securities; 5 years for supranational securities, medium-term corporate notes, California local agency bonds, and state bonds; 270 days for commercial paper; and 397 days for negotiable certificates of deposit.

(Continued)

(iii) Credit Risk

Under its investment policy and the Code, the Water System is subject to the prudent investor standard of care in managing all aspects of its portfolios. The prudent investor standard requires that the Department "shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The U.S. government securities in the portfolio consist of securities issued by or explicitly guaranteed by the U.S. government. As of June 30, 2024, there were no investments in U.S. government securities. All of the U.S. government securities in the portfolio of $4.9 million as of June 30, 2023 carried the highest or second highest credit ratings of the Nationally Recognized Statistical Rating Organizations (NRSROs) that rated them.

The U.S. government agency securities in the portfolio consist of securities issued by government-sponsored enterprises, which are not explicitly guaranteed by the U.S. government. As of June 30, 2024 and 2023, the U.S. government agency securities in the portfolio carry the following credit ratings by the NRSROs that rated them (amounts in thousands):

	June 30, 2024		June 30, 2023	
Categories	**Securities**	**Percentage**	**Securities**	**Percentage**
AAA or AA	$ 34,527	90 %	$ 25,468	97 %
Not rated	4,046	10	763	3
	$ 38,573	100 %	$ 26,231	100 %

The Water System's investment policy specifies that supranational notes must be rated "AA" or its equivalent or better by a NRSRO upon purchase. As of June 30, 2024, there were no investments in supranational notes. As of June 30, 2023, the Water System's investments in supranational notes were rated with the highest possible credit ratings by each of the NRSROs.

The Water System's investment policy specifies that medium term corporate notes must be rated in a rating category of "A" or its equivalent or better by an NRSRO upon purchase. The Water

System's investments in corporate notes as of June 30, 2024 and 2023 were rated in the category of A or its equivalent or better by at least one NRSRO as follows (amounts in thousands):

	June 30, 2024		June 30, 2023	
Categories	**Corporate notes**	**Percentage**	**Corporate notes**	**Percentage**
AAA	$ 975	11 %	$ 962	13 %
AA	3,772	43	1,879	24
A	3,964	46	4,873	63
	$ 8,711	100 %	$ 7,714	100 %

The Water System's investment policy specifies that commercial paper must be of the highest ranking or of the highest letter and number rating as provided for by at least two NRSROs. As of June 30, 2024, there were no investments in commercial paper. As of June 30, 2023, all of the Water System's investments in commercial paper were rated with at least the highest letter and number rating as provided by at least two NRSROs.

The Water System's investment policy specifies that negotiable certificates of deposit must be of the highest ranking or letter and number rating as provided for by at least two NRSROs. As of June 30, 2024 and 2023, all of the Water System's investments in negotiable certificates of deposit were rated with at least the highest letter and number rating as provided by at least two NRSROs.

The Water System's investment policy specifies that bankers' acceptances must be of the highest ranking or letter and number rating as provided for by at least two NRSROs. As of June 30, 2024 and 2023, there were no investments in bankers' acceptances.

The Water System's investment policy specifies that municipal obligations, issued by California local agencies, must be rated in a rating category of "A" or its equivalent or better by an NRSRO. The Water System's investments in municipal bonds as of June 30, 2024 and 2023 were rated in the following categories by at least one NRSRO as follows (amounts in thousands):

	June 30, 2024		June 30, 2023	
Categories	**Municipal bonds**	**Percentage**	**Municipal bonds**	**Percentage**
AAA	$ 465	34 %	$ 448	28 %
AA	920	66	1,146	72
	$ 1,385	100 %	$ 1,594	100 %

The Water System's investment policy specifies that State of California obligations must be rated in a rating category of A or its equivalent or better by a NRSRO. As of June 30, 2024, there were no investments in State of California obligations. As of June 30, 2023, the Water System's

(Continued)

investments in State of California obligations were rated in the category of A or the equivalent or better short-term rating by at least one NRSRO as follows (amounts in thousands):

	June 30, 2024		June 30, 2023	
Categories	State of California obligations	Percentage	State of California obligations	Percentage
AA	$ —	— %	$ 729	100 %
	$ —	— %	$ 729	100 %

The Water System's investment policy specifies that obligations of other states in addition to California must be rated in a rating category of "A" or its equivalent or better by a NRSRO. The Water System's investments in other state obligations as of June 30, 2024 and 2023 were rated in the category of A or the equivalent or better short-term rating by at least one NRSRO as follows (amounts in thousands):

	June 30, 2024		June 30, 2023	
Categories	Other state obligations	Percentage	Other state obligations	Percentage
AA	$ 2,122	100 %	$ 2,106	100 %
	$ 2,122	100 %	$ 2,106	100 %

The Water System's investment policy specifies that money market funds may be purchased as allowed under the Code, which requires that the fund must have either (1) attained the highest ranking or highest letter and numerical rating provided by not less than two NRSROs or (2) retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of $500 million. As of June 30, 2024 and 2023, the money market funds in the portfolio had attained the highest possible ratings by at least two NRSROs.

(iv) Concentration of Credit Risk

The Water System's investment policy specifies that there is no percentage limitation on the amount that can be invested in U.S. government agency securities, except that a maximum of 30% of the cost value of the portfolio may be invested in the securities of any single U.S. government agency issuer.

The Water System's total investments as of June 30, 2024 and 2023 in securities issued by U.S. government agencies are as follows (amounts in thousands):

	June 30, 2024		June 30, 2023	
	Securities	Percentage	Securities	Percentage
Federal Home Loan Bank	$ 16,086	28 %	$ 15,376	28 %
Federal Home Loan Mortgage Corp.	12,250	22	3,955	7
Federal Agricultural Mortgage Corp.	4,046	7	763	1
Federal Farm Credit Bank	3,192	6	5,158	10
Federal National Mortgage Assoc.	2,999	5	979	2
	$ 38,573	68 %	$ 26,231	48 %

(v) Custodial Risk

All investments are held in the Water System's name, and therefore, they do not have custodial risk.

(vi) Fair Value Measurements

The Water System holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Department's mission, the Water System determines that the disclosures related to these investments only need to be disaggregated by major type. The Department chooses a tabular format for disclosing the levels within the fair value hierarchy. The Department categorizes its fair value measurements within the fair value hierarchy established by GAAP.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

- Level 1 inputs are quoted prices for identical assets or liabilities in an active market.
- Level 2 inputs are quoted prices of similar assets or liabilities in active or not active markets.
- Level 3 are unobservable inputs using the best information available to management.

(Continued)

	June 30, 2024	(In thousands) Fair value using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Not classified
Investments by fair value level:					
Debt securities:					
U.S. government agencies	$ 38,573	—	38,573	—	—
Medium-term corporate notes	8,711	—	8,711	—	—
California local agency	1,385	—	1,385	—	—
Other state bonds	2,122	—	2,122	—	—
Total debt securities	50,791	—	50,791	—	—
Other:					
Certificate of deposit	6,002	—	6,002	—	—
Money market funds	1	—	—	—	1
Total other	6,003	—	6,002	—	1
Total investments	$ 56,794	—	56,793	—	1

	June 30, 2023	(In thousands) Fair value using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Not classified
Investments by fair value level:					
Debt securities:					
U.S. government securities	$ 4,884	4,884	—	—	—
U.S. government agencies	26,231	—	26,231	—	—
Supranationals	2,296	—	2,296	—	—
Medium-term corporate notes	7,714	—	7,714	—	—
California state bonds	729	—	729	—	—
California local agency	1,594	—	1,594	—	—
Other state bonds	2,106	—	2,106	—	—
Total debt securities	45,554	4,884	40,670	—	—
Other:					
Commercial paper	983	—	983	—	—
Certificate of deposit	7,540	—	7,540	—	—
Money market funds	15	—	—	—	15
Total other	8,538	—	8,523	—	15
Total investments	$ 54,092	4,884	49,193	—	15

(Continued)

Debt and other securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities. Debt securities classified as Level 2 of the fair value hierarchy are valued using a multidimensional relationship model or matrix pricing model utilizing market data, including, but not limited to, benchmark yields, reported trades, and broker-dealer quotes. Money market funds with maturity dates of one year or less from the balance sheet are recorded at amortized cost and not required to be categorized.

(b) Pooled Cash

The Water System's cash and cash equivalents and its collateral value of the City's securities lending program (SLP) are included within the City Treasury's general and special investment pools. As of June 30, 2024 and 2023, the Water System's total share of the City's general and special investment pools was $1,041.2 million and $924.2 million, respectively, which represents approximately 6.8% and 6.1% of the pooled funds, respectively. Amounts pooled in the City Treasury's general and special investment pools are not required to be classified in the fair value hierarchy per GASB Statement No. 72, since they are part of an internal investment pool.

Pooled cash is recorded as follows on the statements of net position and statements of cash flows (in thousands):

	As of June 30	
	2024	**2023**
Cash and cash equivalents – unrestricted	$ 535,350	467,930
Cash and cash equivalents – restricted	273,360	263,430
Cash and cash equivalents – restricted noncurrent	231,611	189,848
Subtotal cash and cash equivalents	1,040,321	921,208
Cash – collateral received from securities lending transactions	881	3,010
	$ 1,041,202	924,218

In accordance with GASB Statement No. 31, the Water System records its investment pool funds at fair market value. This fair market value adjustment is recognized as investment income (loss) on the statement of revenues, expenses, and changes in net position and is also recorded as an increase (decrease) to cash and cash equivalents – unrestricted on the statement of net position. The fair value gain (loss) recognized on the Water System's financial statements was $4,692 thousand and $(6,828) thousand at June 30, 2024 and 2023, respectively.

The cash balances of substantially all funds on deposit in the City Treasury are pooled and invested by the City Treasurer for the purpose of maximizing interest earnings through pooled investment activities, but safety and liquidity still take precedence over return. Investments in special investment pools will be managed in accordance with the respective pool's policy. If no policy exists, then investments must comply with the California State Government Code Sections 53600–53635 et seq. Special pool participants include the City, Airports, Power System and Water System, Harbor, Sewer, and MICLA.

Interest earned on pooled investments is allocated to and recorded in certain participating funds, as authorized by the Council and permitted by the City Charter and the California Government Code, based on each fund's average daily deposit balance. Unless allocation provisions are specifically stipulated in a City ordinance, Council action, or funding source, interest earned on certain funds is allocated to and recorded in the General Fund. The City measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles.

Pursuant to California Government Code Section 53607 (State Code) and the Council File No. 94-2160, the City Treasury shall render to the Council a statement of investment policy (the Policy) annually. Council File No. 21-1494 was adopted on September 23, 2022, as the City's investment policy. This policy shall remain in effect until the Council and the Mayor approve a subsequent revision. As of June 30, 2024, Council File No. 23-0357 (the subsequent revision of Investment Policy dated February 15, 2023) was still pending in Committee. The Policy governs the City's pooled investment practices. The Policy addresses soundness of financial institutions in which the City Treasurer will deposit funds and types of investment instruments permitted by California Government Code Sections 53600-53638, 16340 and 16429.1. The City Treasury further reports that the current policy allows for the purchase of Bonds issues by a local agency, United States Treasury obligations and Federal agency or United States government-sponsored enterprises with maturities up to 30 years.

The City issues a publicly available financial report that includes complete disclosures related to the City's pooled investments. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, California, 90012, or the Los Angeles City Controller's website, https://lacontroller.org/financial-reports.

General Investment Pool Securities Lending Program

Securities lending is permitted and limited under provisions of California Government Code Section 53601. The Council approved the Securities Lending Program (the SLP) on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines. The Water System invested $0.9 million and $3 million in the City's securities lending program as of June 30, 2024 and 2023, respectively.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions that it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction, and shall make a reasonable effort for two business days (the Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts, as necessary, to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the General Investment Pool (the Pool) is available for lending. The City loans out U.S. Treasury Notes, U.S. Agencies Securities, and Medium-Term Notes. The City receives cash as collateral on the loaned securities, which is reinvested in securities permitted under the Policy. In addition, the City receives securities as collateral on loaned securities, which the City has no ability to pledge or sell without borrower default. In accordance with the California Government Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 92 days. Earnings from securities lending accrue to the Pool and are allocated on a pro rata basis to all Pool participants.

During the fiscal year 2024, collateralizations on all loaned securities were compliant with the required 102% of the fair value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the fiscal year. There was no credit risk exposure to the City because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

(6) Long-Term Debt

Long-term debt outstanding as of June 30, 2024 and 2023 consists of revenue bonds and refunding revenue bonds due serially in varying annual amounts and other long-term debt, as follows (amounts in thousands):

Bond issues	Date of issue	Effective interest rate%	Fiscal year of last scheduled maturity	Principal outstanding 2024	Principal outstanding 2023
Revenue bonds:					
Issue of 2001, Series B	February 28, 2001	Variable	2036	$ 182,300	182,300
Issue of 2009, Series C	December 3, 2009	3.844	2025	10,075	282,650
Issue of 2010, Series A	December 14, 2010	4.374	2051	392,710	392,710
Issue of 2014, Series A	November 20, 2014	3.987	2045	—	257,165
Issue of 2016, Series A	April 21, 2016	3.184	2047	519,375	530,360
Issue of 2016, Series B	June 9, 2016	3.111	2047	257,575	260,055
Issue of 2017, Series A	May 11, 2017	3.825	2048	514,065	519,310
Issue of 2018, Series A	March 1, 2018	3.576	2049	221,310	231,000
Issue of 2018, Series B	November 29, 2018	3.802	2049	403,360	410,670
Issue of 2019, Series A	July 1, 2019	Variable	2050	200,000	200,000
Issue of 2020, Series A	July 1, 2020	3.031	2051	193,170	196,675
Issue of 2020, Series B	September 1, 2020	0.624	2031	120,465	120,465
Issue of 2020, Series C	January 5, 2021	2.502	2042	237,355	237,355
Issue of 2021, Series A	January 26, 2021	Variable	2052	200,000	200,000
Issue of 2021, Series B	June 29, 2021	2.897	2052	158,730	158,730
Issue of 2022, Series B	April 5, 2022	3.182	2053	485,635	494,670
Issue of 2022, Series C	June 30, 2022	3.629	2053	317,415	326,905
Issue of 2022, Series D	December 28, 2022	4.006	2053	396,055	399,685
Issue of 2023, Series A	June 1, 2023	3.833	2054	476,155	495,530
Issue of 2024, Series A	February 1, 2024	3.154	2055	281,280	—
Issue of 2024, Series B	May 24, 2024	3.461	2045	447,395	—
Total principal amount				6,014,425	5,896,235
Unamortized premiums and discounts				750,288	707,638
Revenue bonds, net				6,764,713	6,603,873
Debt due within one year, long-term debt				(110,940)	(107,245)
Debt due within one year, variable rate demand bond liquidity advance not made				(58,230)	(58,230)
Revenue bonds, noncurrent, net				6,595,543	6,438,398

(Continued)

Bond issues	Date of issue	Effective interest rate%	Fiscal year of last scheduled maturity	Principal outstanding 2024	Principal outstanding 2023
Loans payable to California State Water Resources Control Board:					
SRF10CX103	June 24, 2010	—	2035	$ 23,421	25,763
SRF10CX104	June 24, 2010	—	2033	4,069	4,548
SRF11CX105	June 30, 2011	—	2035	12,533	13,727
SRF10CX116	June 30, 2011	—	2033	8,500	9,500
SRF10CX117	June 30, 2011	—	2033	4,250	4,750
SRF12CX105	June 30, 2012	—	2046	89,096	93,339
SRF12CX106	June 30, 2012	—	2046	23,021	24,117
SRF13CX104	June 26, 2013	—	2051	89,631	93,014
SRF13CX105	June 26, 2013	—	2048	78,515	81,928
SRF14CX102	June 26, 2014	2.085	2047	6,586	6,813
SRF14CX103	June 26, 2014	2.085	2047	44,036	45,556
SRF14CX104	June 26, 2014	2.085	2047	13,931	14,411
SRF14CX105	June 26, 2014	2.085	2047	27,467	28,415
SRF14-310-550	June 19, 2015	1.663	2040	83,509	88,195
SRF D15-02014	September 29, 2015	1.663	2036	2,461	2,654
SRF D17-02079	October 2, 2018	1.800	2050	23,155	23,883
SRF D17-02080	October 1, 2018	1.800	2050	6,721	6,933
SRF D17-02081	October 1, 2018	1.800	2052	141,895	145,945
SRF D17-02082	July 31, 2018	1.800	2049	6,492	6,706
SRF D21-02029	May 10, 2022	1.100	2055	55,042	14,704
SRF D22-02008	August 9, 2023	1.100	2056	420	—
Loans payable to California Department of Water Resources Calconserve	September 19, 2018	—	2045	3,000	1,000
Total principal amount				747,751	735,901
Amount due within one year				(15,619)	(15,424)
Loans payable, noncurrent				732,132	720,477
Total long-term debt, bonds, and loans, net				$ 7,327,675	7,158,875

Revenue bonds generally are callable 10 years after issuance. The Water System has agreed to certain covenants with respect to bonded indebtedness. Significant covenants include the requirement that the Water System's net income, as defined, will be sufficient to pay certain amounts of future annual bond interest and of future annual aggregate bond interest and principal maturities. Revenue bonds and refunding bonds are collateralized by the future revenue of the Water System.

(Continued)

(a) Long-Term Debt Activity

The Water System had the following activity in long-term debt during fiscal years 2024 and 2023 (amounts in thousands):

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024
Revenue bonds:				
Principal:				
Beginning balance	$ 5,896,235	—	—	5,896,235
Issuances	—	281,280	—	281,280
Refunding bonds	—	447,395	—	447,395
Scheduled maturities	—	—	(107,245)	(107,245)
Refunded/defeased bonds	—	—	(503,240)	(503,240)
	5,896,235	728,675	(610,485)	6,014,425
Premium (discount):				
Beginning balance	707,638	—	—	707,638
Issuances	—	54,277	—	54,277
Refunding bonds	—	62,794	—	62,794
Scheduled amortization	—	—	(51,103)	(51,103)
Written off due to refunding	—	—	(23,318)	(23,318)
	707,638	117,071	(74,421)	750,288
Revenue bonds, net	6,603,873	845,746	(684,906)	6,764,713
Loans from SWRCB and DWR [1]	735,901	42,758	(30,908)	747,751
Total	$ 7,339,774	888,504	(715,814)	7,512,464

[1] During fiscal year 2024, the Water System entered into one new loan agreement with the SWRCB and none with the DWR. The Water System received $0.4 million of funding for the new SWRCB loan during fiscal year 2024. Existing SWRCB loans received $40.3 million to fund water quality capital improvements and made principal payments of $30.9 million, while the existing DWR Loan received $2.0 million in loan funding.

(Continued)

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Revenue bonds:				
Principal:				
Beginning balance	$ 5,459,385	—	—	5,459,385
Issuances	—	570,310	—	570,310
Refunding bonds	—	324,905	—	324,905
Scheduled maturities	—	—	(94,860)	(94,860)
Refunded/defeased bonds	—	—	(363,505)	(363,505)
	5,459,385	895,215	(458,365)	5,896,235
Premium (discount):				
Beginning balance	670,283	—	—	670,283
Issuances	—	69,193	—	69,193
Refunding bonds	—	39,152	—	39,152
Scheduled amortization	—	—	(47,423)	(47,423)
Written off due to refunding	—	—	(23,567)	(23,567)
	670,283	108,345	(70,990)	707,638
Revenue bonds, net	6,129,668	1,003,560	(529,355)	6,603,873
Loans from SWRCB and DWR [1]	745,077	21,410	(30,586)	735,901
Total	$ 6,874,745	1,024,970	(559,941)	7,339,774

[1] During fiscal year 2023, the Water System did not enter into a new loan agreement with either the SWRCB or DWR. Existing SWRCB loans received $21.4 million to fund water quality capital improvements and made principal payments of $30.6 million.

(b) New Issuances

(i) Fiscal Year 2024

In February 2024, the Water System issued $281.3 million of Water System Revenue Bonds, 2024 Series A. The net proceeds of $335.0 million, including $53.7 million issue premium net of underwriter's discount, were used to pay for budgeted capital improvements to the Water System.

In May 2024, the Water System issued $447.4 million of Water System Revenue Bonds, 2024 Series B. The net proceeds of $509.4 million, including a $62.0 million issue premium net of underwriter's discount, were used to refund a portion of the outstanding Water System Revenue Bonds, 2009 C, amounting to $250.0 million and all of the $253.2 million outstanding Water System Revenue Bonds, 2014 Series A. The transaction resulted in a net present value savings of $46.2 million and a net gain for accounting purposes of $17.2 million, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunding bonds.

(ii) Fiscal Year 2023

In December 2022, the Water System issued $399.7 million of Water System Revenue Bonds, 2022 Series D. The net proceeds of $449.4 million, including $49.7 million issue premium net of underwriter's discount, were used to pay for budgeted capital improvements to the Water System and refund all of the $61.2 million outstanding Water System Revenue Bonds, 2013 Series A. The transaction resulted in a net present value savings of $8.1 million and a net gain for accounting purposes of $4.4 million, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunded bonds.

In June 2023, the Water System issued $495.5 million of Water System Revenue Bonds, 2023 Series A. The net proceeds of $552.3 million, including a $56.8 million issue premium net of underwriter's discount, were used to pay for budgeted capital improvements to the Water System and refund all of the $302.3 million outstanding Water System Revenue Bonds, 2013 Series B. The transaction resulted in a net present value savings of $36.9 million and a net gain for accounting purposes of $17.2 million, which was capitalized as deferred inflows on debt refunding and is being amortized over the life of the refunded bonds.

(c) Outstanding Debt Defeased

The Water System defeased certain revenue bonds in the prior years by placing cash or the proceeds of new revenue bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Water System's financial statements. At June 30, 2024, the following revenue bonds outstanding are considered defeased (amounts in thousands):

Bond issues		Principal outstanding
Issue of 1998 R	$	66,040
Issue of 2014 A		253,240
	$	319,280

(d) Variable Rate Bonds

As of June 30, 2024 and 2023, the Water System had variable rate bonds outstanding in the amounts of $582.3 million and $582.3 million, respectively. The variable rate bonds currently bear interest at daily and weekly rates ranging from 2.00% to 4.70% as of June 30, 2024 and 1.30% to 3.44% as of June 30, 2023. The Water System can elect to change the interest rate period of the bonds, with certain limitations. The bondholders have the right to tender the bonds to the tender agent on any business day with seven days' prior notice. The Water System has entered into standby agreements with a syndicate of commercial banks to provide liquidity for the variable rate bonds in the amount of $126.2 million (2001B, Subseries B-1 to B-3), $56.1 million (2001B, Subseries B-4), $130.0 million (2019A, Subseries A-1), $70.0 million (2019A, Subseries A-2), and $200.0 million (2021A,

(Continued)

Subseries A-1 to A-2) as of June 30, 2024. The extended standby agreements expire in January 2026 for $256.1 million, January 2027 for $200.0 million, and January 2029 for $126.2 million.

Under the agreements, $256.1 million of variable rate bonds will bear interest that is payable monthly at the greatest of (i) Prime Rate plus 1.00%; (ii) the Federal Funds Rate plus 2.00%; and (iii) 7.50%, while $200.0 million variable rate bonds will bear interest that is payable monthly at the greatest of (i) Prime Rate plus 2.50%, (ii) the Federal Funds Rate plus 3.00%, and (iii) 8.00%, while $126.2 million variable rates bonds will bear interest that is payable monthly at the greatest of (i) Prime Rate plus 0.50% and (ii) 7.00%. The unpaid principal of each liquidity advance made by the liquidity provider is payable in 10 equal semiannual installments 90 days immediately following the related liquidity advance. At its discretion, the Water System has the ability to convert the outstanding bonds to fixed rate obligations, which cannot be tendered by the bondholders.

The variable rate bonds have been classified as long term on the statements of net position as the liquidity facilities give the Water System the ability to refinance on a long-term basis, and the Water System intends to either renew the facilities or exercise its right to tender the debt as a long-term financing. That portion, which would be due in the next fiscal year in the event that the outstanding variable rate bonds were tendered and purchased by the commercial banks under the standby agreements, has been included in the current portion of long-term debt and was $58.2 million and $58.2 million as of June 30, 2024 and 2023, respectively.

(e) Direct Borrowings and Line of Credit

Under GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, the Water System has the following direct placement debt and unused line of credit:

The Drinking Water State Revolving Fund (DWSRF), administered by the State of California's State Water Resources Control Board, assists public water systems in financing the cost of drinking water infrastructure projects needed to achieve or maintain compliance with Safe Drinking Water Act (SDWA) requirements. The DWSRF utilizes a prioritized project ranking system to ensure that program resources are applied to projects addressing public health risk problems, projects needed to comply with the SDWA, and projects assisting public water systems most in need on a per household-affordability basis. The Water System has applied for and received funding from the DWSRF for critical Water System capital projects required for compliance with federal drinking water regulations, specifically the Long-Term 2 Enhanced Surface Water Treatment Rule and the Stage 2 Disinfection by Products Rule. This funding has been made available to the Water System in the form of low or 0% interest loans with a repayment period of up to 30 years.

The CalConserve Water Use Efficiency Loan Program, administered by the State of California Department of Water Resources (DWR), established a loan program to local agencies for specific types of water conservation and water use efficiency projects and programs to achieve urban water use targets. The Water System has applied for and received funding from the DWR that will be used to implement an Institutional Water Use Efficiency Loan Program. This funding has been made available to the Water System as a 0% interest loan with a repayment period of 20 years.

The direct borrowings from the DWSRF and DWR contain specified terms relating to certain default provisions as defined by each respective funding agreement. Certain default provisions under the funding agreements include, but are not limited to, material breach of the funding agreement, cessation of operations or bankruptcy, failure to pay amounts due, making false representations with respect to the funding agreements, and failure to meet compliance requirements. Some agreements may be terminated at the option of the lender upon material violation and failure to become compliant. Such termination may result in the immediate repayment of disbursed funds. The Water System does not have any assets pledged as collateral for direct borrowings or subjective acceleration clauses.

On May 25, 2023, the Water System entered into a Second Amended and Restated Revolving Credit Agreement (Second Amended RCA) and the related Second Amended and Restated Fee and Interest Rate Agreement with Wells Fargo Bank, National Association with a $300 million commitment and the option to request additional commitment, as needed, up to a total commitment of $500 million. The Department can request loans for Water System improvements, Power System improvements, and/or such other lawful purposes of the Department. The interest charge for tax-exempt loans is based on daily Secured Overnight Financing Rate (SOFR) plus a spread of 0.39%. The interest charge for taxable loans is based on daily SOFR plus a spread of 0.47%. The Second Amended RCA expires in May 2026. As of June 30, 2024 and 2023, the Water System has $0 million and $100 million, respectively, outstanding under the Second Amended RCA.

In June 2023, the Water System borrowed $100 million from the Wells Fargo Second Amended RCA, which was deposited into the Water Revenue Fund to offset a liquidity shortfall. The liquidity shortfall was primarily due to a record-setting level of precipitation that caused lower consumption, decreasing the Base Revenue Target and caused under collection of certain pass-through costs. In March 2024, the Water System repaid the $100 million loan. As of June 30, 2024, the Water system has no obligations under the Wells Fargo RCA.

(f) Scheduled Principal Maturities and Interest

As of June 30, 2024, annual principal maturities and interest on an accrual basis for bonds and loans are as follows (amounts in thousands):

		Principal	Interest and amortization
Fiscal year(s) ending June 30:			
2025	$	126,559	236,538
2026		150,292	232,123
2027		155,475	227,955
2028		174,776	223,170
2029		185,381	217,962
2030–2034		1,099,006	993,418
2035–2039		1,350,945	790,226
2040–2044		1,539,964	544,014
2045–2049		1,286,310	265,460
2050–2054		688,390	41,379
2055–2059		5,078	—
Total requirements	$	6,762,176	3,772,245

The interest and amortization are net of $848.8 million of unamortized discount/premium and gain/loss due to issuances of new and refunding bonds.

The maturity schedule presented above reflects the scheduled debt service requirements for all of the Water System's long-term debt. The schedule is presented assuming that the tender options on the variable rate bonds, as discussed on the previous page, will not be exercised. Should the bondholders exercise the tender options, the Water System could be required to redeem the $582.3 million in variable rate bonds outstanding over the next six fiscal years as follows: $58.2 million in fiscal year 2025, $116.5 million in each of the fiscal years 2026 through 2029, and $58.2 million in fiscal year 2030. Accordingly, the statements of net position recognize the possibility of the exercise of the tender options and reflect the $58.2 million that could be due in fiscal year 2025, as a current portion of long-term debt payable.

Interest and amortization presented in the above schedule include interest requirements for the variable rate debt over the regularly scheduled maturity period. Variable debt interest rate in effect at June 30, 2024 averages 4.39%. Should the tender options be exercised, the interest would be payable at the rate in effect at the time the standby agreements are activated.

(7) Retirement Plan

(a) Plan Description

The Water System has funded a contributory retirement plan covering substantially all of its employees. The Water and Power Employees' Retirement Fund (the Fund or Plan) operates as a single-employer defined-benefit plan to provide pension benefits to eligible Department employees. The Retirement Fund's assets are held in a special trust fund of the City. Plan benefits are generally based on years of service, age at retirement, and the employee's highest 12 consecutive months of salary before retirement. Active participants who joined the Plan on or after June 1, 1984 are required to contribute 6% of their annual covered payroll. Participants who joined the Plan prior to June 1, 1984 contribute an amount based upon an entry-age percentage rate. A new Tier 2 was added to the Plan and applies to members hired on or after January 1, 2014. Tier 2 plan participants are required to contribute 10% of their salary and plan benefits are based on a three-year final average salary period.

Under the provisions of the City Charter, the Retirement Board of Administration (the Retirement Board) has the responsibility and authority to administer the Plan and to invest its assets. The Retirement Board members serve as trustees and must act in the exclusive interest of the Plan's members and beneficiaries. The Retirement Board has seven members: One member of the Board of Water and Power Commissioners, the General Manager, the Chief Accounting Employee, three employee members who are elected for three-year terms by active members of the Plan, and one retiree who is appointed by the Board of Water and Power Commissioners for a three-year term.

Plan amendments must be approved by both the Retirement Board and the Board of Commissioners of the Department. The Plan issues separately available financial statements on an annual basis. Such financial statements can be obtained from the Department of Water and Power Retirement Office, 111 N. Hope, Room 357, Los Angeles, California 90012.

(b) Benefits Provided

The Plan provides retirement benefits to eligible employees. Most employees of the Water System become members of the Plan effective on the first day of biweekly payroll following employment or immediately following transfer from another City department. Members employed prior to January 1, 2014 are designated as Tier 1 and those hired on or after January 1, 2014 are designated as Tier 2 (unless a specific exemption applies to employee providing a right to Tier 1 status).

Tier 1 members are eligible to retire once they attain the age of 60 with 5 or more years of service or at age 55 with 10 or more years of service acquired in the last 12 years prior to retirement. A Tier 1 member with 30 years of service is eligible to retire regardless of age. Tier 2 members are eligible to retire once they attain the age of 60 with at least 5 years of continuous Department service or at any age with 30 years of service. For both tiers, combined years of service between the Plan and the Los Angeles City Employees Retirement System is used to determine retirement eligibility and at least 5 years must be actual employment at the Department or the City (not purchased). For both tiers, members receiving Permanent Total Disability benefits may retire regardless of age. For Tier 1, to be eligible for a Formula Pension, the employee must have worked or been paid disability 4 of the last 5 years immediately preceding eligibility to retire, or while eligible to retire.

The Formula Pension benefit the member will receive is based upon age at retirement, monthly average salary base, and years of retirement service credit. The Tier 1 Formula Pension is equal to 2.1% times years of service credit times monthly average salary base. In addition, members retiring after attaining age 55 with 30 years of service credit receive an increase in the benefit factor from 2.1% to 2.3%. A reduced early retirement benefit is paid for those members attaining age 55 with 10 years of service or any age (under 55) with 30 years of service. The reduction is 1.5% for each year of retirement age between 60 and 55 and 3.0% for each year of retirement before age 55.

Under Tier 2, there are various benefit factors that apply as shown below:

- 1.5% at age 60 with 5 years of continuous Department service (or 10 years of qualifying service)
- 2.0% at age 60 with 30 years of qualifying service
- 2.0% at age 55 with 30 years of service credit
- 2.0% at age 63 with 5 years of continuous Department service (or 10 years of qualifying service)
- 2.1% at age 63 with 30 years of qualifying service

Reduced early retirement benefits are still available at any age (under 55) with 30 years of service and the reduction factors are the same as Tier 1. Note that these reduction factors continue to include the reduction from age 60 to 55 and from 55 to age at retirement.

For Tier 1 members, the maximum monthly retirement allowance is 100% of monthly average salary base. For Tier 2 members, the maximum monthly retirement allowance is 80% of monthly average salary base. Under Tier 1, pension benefits are calculated based on the highest average salary earned during a 12-month period. Under Tier 2, pension benefits are calculated based on the average salary earned during a 36-month period.

The member may elect the full allowance or choose an optional retirement allowance. The full allowance provides the highest monthly benefit and up to a 50% continuance to an eligible surviving spouse or domestic partner. There are five optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the full allowance in order to allow the member the ability to provide various benefits to a surviving spouse, domestic partner, or named beneficiary.

(c) Plan Membership

As of the June 30, 2023 and 2022, measurement dates for the June 30, 2024 and 2023 net pension liability, pension plan membership, which consisted of Water and Power System members, consisted of the following:

	2024	2023
Retired members or beneficiaries currently receiving benefits	9,756	9,716
Vested terminated members entitled to, but not yet receiving, benefits	1,765	1,735
Active members	11,039	10,799
Total	22,560	22,250

(d) Contributions

The Department contributes $1.10 for each $1.00 contributed by participants plus an actuarially determined annual required contribution (ARC) as determined by the Plan's independent actuary. The required contributions are allocated between the Power System and the Water System based on the current year labor costs.

Employer contribution rates are adopted annually based upon recommendations received from the Plan's actuary after the completion of the annual actuarial valuation. The average employer contribution rates for fiscal years 2024, 2023, and 2022 (based on the July 1, 2023, 2022, and 2021 valuations) were 31.40%, 29.84%, and 26.04% of compensation, respectively. The average member contribution rates for fiscal years 2024, 2023, and 2022 (based on the July 1, 2023, 2022, and 2021 valuations) were 8.11%, 7.95% and 7.85% of compensation, respectively. Most Tier 1 members contribute at 6% of compensation and all Tier 2 members contribute at 10% of compensation. Employer contributions in fiscal years 2024, 2023, and 2022 amounted to $137 million, $120 million, and $106 million, respectively.

(e) Net Pension Liability

At June 30, 2024 and 2023, the Water System reported a liability of $189 million and a liability of $203 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuations as of July 1, 2023 and 2022, respectively. The Water System's proportion of the net pension liability was based on the Water System's projected compensation for the year following the measurement date, relative to the projected compensation for the same period for both the Water System and the Power System. At June 30, 2024, the Water System's proportion was 32.4% compared to 32.9% and 32.4% as of June 30, 2023 and 2022, respectively.

(f) Actuarial Assumptions

The Water System's net pension liability as of June 30, 2024 and 2023 was measured as of June 30, 2023 and 2022, using actuarial valuations as of July 1, 2023 and 2022, respectively. The actuarial assumptions used in the July 1, 2023 and 2022 valuations were based on the results of experience studies for the period from July 1, 2018 through June 30, 2021. The following assumptions were applied to all periods included in the measurement for the July 1, 2023 and 2022 actuarial valuations:

Actuarial assumptions	2023	2022
Inflation	2.50%	2.50%
Salary increases	4.25%–10.00%	4.25%–10.00%
Investment rate of return	6.50%	6.50%
Cost-of-living adjustments	2.75% (Actual increases are contingent upon CPI increases, with a 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.)	2.75% (Actual increases are contingent upon CPI increases, with a 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.)
Mortality	Postretirement: Pub-10 General Healthy Retiree Amount-Weighted Above Median Mortality Table times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021	Postretirement: Pub-10 General Healthy Retiree Amount-Weighted Above Median Mortality Table times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021

(g) Discount Rate

The discount rate used to measure the total pension liability was 6.50% as of June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability at June 30, 2024 and 2023.

(h) Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses,

(Continued)

used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

	June 2024		June 2023	
Asset class	Target allocation	Long-term expected arithmetic real rate of return	Target allocation	Long-term expected arithmetic real rate of return
Large cap US equity	21.10 %	5.13 %	21.10 %	5.13 %
Small cap US equity	2.10	5.86	2.10	5.86
Developed international large	12.20	6.01	12.20	6.01
Developed international small	1.80	5.72	1.80	5.72
Global equity	2.70	5.94	2.70	5.94
Emerging market equity	5.10	8.16	5.10	8.16
TIPS	3.50	(0.23)	3.50	(0.23)
Real estate	7.00	4.60	7.00	4.60
Cash and equivalents	1.00	(0.77)	1.00	(0.77)
Commodities	1.50	2.77	1.50	2.77
Private equity	10.00	10.46	10.00	10.46
Private credit	2.40	5.94	2.40	5.94
Hedge funds	5.00	1.85	5.00	1.85
Non-core real estate	3.00	7.14	3.00	7.14
Custom fixed income	21.60	0.68	21.60	0.68
Total	100.00 %		100.00 %	

(i) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Water System as of June 30, 2024 and 2023, calculated using the discount rate of 6.5% as well as what the Department's pension liability would be as of June 30, 2024 if it were calculated using a discount rate that is one percentage point lower (5.50)% or one percentage point higher (7.50)% than the current rate (amounts in thousands):

Net pension liability		1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
June 30, 2024	$	940,961	188,730	(430,134)

Net pension liability		1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
June 30, 2023	$	925,094	202,559	(392,217)

(Continued)

(j) Pension Plan Fiduciary Net Position

In addition to amortization expense of the regulatory assets discussed in note 4, the pension plan's fiduciary net position is determined based on the accrual basis of accounting, which is on the same basis of accounting as the Plan. Pension plan investments are recorded at fair value except for short-term investments, which are recorded at amortized cost. Benefit payments include costs as designated by the Plan document, refunds of employee contributions due to terminations and member deaths, and administrative expenses.

(k) Pension Expense, Deferred Outflow of Resources, and Deferred Inflow of Resources

The Water System recognized pension expense of $82,467 thousand and $21,009 thousand for the years ended June 30, 2024 and 2023, respectively. Pension expense is recorded as operation and maintenance expense or construction work in progress depending on where the related payroll is charged. At June 30, 2024 and 2023, the Water System reported $293,436 thousand and $275,154 thousand, respectively, for deferred outflow of resources and deferred inflow of resources of $20,323 thousand and $25,558 thousand, respectively.

The below table summarizes the deferred inflow of resources and deferred outflow of resources related to pensions at June 30, 2024 and 2023 (amounts in thousands):

	June 30	
Deferred outflow of resources	**2024**	**2023**
Changes in proportion and differences between entity contributions and proportionate share of contributions	$ 5,187	6,651
Net difference between projected and actual earnings on pension plan investments	55,289	97,987
Difference between actual and expected experience in the total pension liability	104,675	14,173
Changes of assumptions and other inputs	128,285	156,343
Total deferred outflow of resources	$ 293,436	275,154

	June 30	
Deferred inflow of resources	**2024**	**2023**
Changes in proportion and differences between entity contributions and proportionate share of contributions	$ 510	864
Difference between expected and actual experience in the total pension liability	19,813	24,694
Total deferred inflow of resources	$ 20,323	25,558

(Continued)

In addition to the deferred outflows of resources noted above, there are also $136.7 million and $119.6 million of deferred outflows related to pension contributions made after the measurement date as of June 30, 2024 and 2023, respectively. These deferred outflows of resources are recognized as a reduction of the net pension liability in the subsequent fiscal year.

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years and thereafter is as follows (in thousands):

Year	June 30 2024	2023
2024	$ —	29,894
2025	27,935	22,522
2026	(1,836)	(7,662)
2027	162,390	158,841
2028	26,934	21,520
2029	39,510	24,239
2030	15,840	242
2031	2,340	—
Total	$ 273,113	249,596

(l) Overrecovered Costs – Pension

In connection with the recognition of the net pension liability under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* an amendment of GASB Statement No. 27, the Water System established a regulatory asset in the amount of $745.5 million, equal to the net pension liability reported at July 1, 2013. Amortization of this pension regulatory asset was recognized over the years as the difference between amounts paid toward actuarially determined contributions and actual pension expense. During fiscal year 2023, the difference between amounts paid toward actuarially determined contributions and actual pension expense exceeded the remaining balance in the pension regulatory asset and resulted in the recognition of overrecovered costs – pension in the amount of $189.2 million.

During fiscal year 2024, the amounts paid toward actuarially determined contributions exceeded actual pension expense by $54.4 million, resulting in an overrecovered costs – pension balance of $243.6 million.

(8) Other Postemployment Benefit Plans

(a) General Information About the Plan

The Department provides retirees medical and dental benefits and death benefits to active and retired employees and their dependents. The retiree healthcare plan and death benefit plan are administered by the Department. The Retirement Board and the Board of Commissioners have the authority to approve provisions and obligations. Eligibility for benefits for retired employees is dependent on a

combination of age and service of the participants pursuant to a predetermined formula. Any changes to these provisions must be approved by the Retirement Board and the Board.

The retiree healthcare and death benefit plans are single-employer, defined-benefit plans. Plan assets are administered through irrevocable trusts for each fund used solely for the benefit of providing benefits to eligible participants in the Plan. Assets of the trust are legally protected from creditors and dedicated to providing postemployment reimbursement of eligible medical, dental, and vision expenses to current and eligible future retirees and their spouses in accordance with the terms of the Plan. Death benefits are provided to active and inactive employees in accordance with terms of the Plan.

The funds are administered in separate trust funds and presented as part of the retirement system financial statements. Such financial statements can be obtained from the Department of Water and Power Retirement Office, 111 North Hope, Room 357, Los Angeles, California 90012.

(b) Benefits Provided

For retiree healthcare, a medical subsidy is computed by a formula related to years of service and attained age of retirement. The subsidy limit is applied to the combined medical carrier and Medicare Part B premium but not the dental premium. For Tier 1, the monthly medical subsidy ranges from $30.32 to $1,896.76 depending on age and service at retirement. For Tier 2, the monthly medical subsidy ranges from $30.32 to $948.38, depending on age and service at retirement. The monthly dental subsidy for most retirees is $37.71. The dental subsidy is not available to pay for premiums for married and surviving spouses or domestic partners. All members hired before January 1, 2014 are Tier 1. All members hired on or after January 1, 2014 are Tier 2.

The death benefit plan pays death benefits to the beneficiaries of eligible employees. Generally, to be eligible for the family death benefit allowance, an employee must be a full member of the Plan and contributing to the Plan at the time of death. If death occurs after retirement, then, the retired member must be receiving a monthly retirement allowance from the Plan and had at least five years of Department service at retirement. The Family Death Benefit plan pays a monthly allowance of $416 to the surviving spouse of a member with minor (or disabled) children plus $416 for each minor (or disabled) child up to a maximum monthly allowance of $1,170. In addition, the spouse’s portion will not be paid if the spouse is receiving a survivor’s optional death benefit allowance or an eligible spouse allowance from the retirement plan.

The Supplemental Family Death Plan, which is part of the Death Benefit Plan, is optional and subject to making additional member contributions. The Supplemental Family Death Benefit Plan pays a monthly allowance of $520 for each surviving spouse or child, in addition to the amounts payable from the Family Death Benefit Plan, subject to a maximum of $1,066 for the additional benefits. The insured lives death benefit plan for contributing members provides death benefits to employees who die while employed by the Department. Generally, to be eligible, an employee must be a full member of the Plan and contributing to the Plan at the time of death. The benefit paid from the death benefit fund is a single sum that is equal to 14 times the member’s monthly compensation with no maximum.

The insured lives death benefit plan for noncontributing members provides death benefits to employees who were employed by the Department for at least five years and death occurred after retirement. The death benefit is paid in a single sum that is equal to the lesser of 14 times the member's monthly full retirement allowance or $20,000.

(c) Employees Covered by Benefit Terms

At the Department's measurement date of June 30, 2023 for the June 30, 2024 reporting period, the following employees were covered by the benefit terms:

Plan membership	Retiree healthcare	Death benefit
Beneficiaries currently receiving benefits	—	85
Retired members currently receiving benefits	8,552	7,819
Vested terminated members not receiving benefits	—	575
Active members	11,039	11,039
Total	19,591	19,518

At the Department's measurement date of June 30, 2022 for the June 30, 2023 reporting period, the following employees were covered by the benefit terms:

Plan membership	Retiree healthcare	Death benefit
Beneficiaries currently receiving benefits	—	93
Retired members currently receiving benefits	8,557	7,760
Vested terminated members not receiving benefits	—	595
Active members	10,799	10,799
Total	19,356	19,247

(d) Contributions

The Board of Commissioners establishes rates for retiree healthcare plan based on an actuarially determined rate. For the years ended June 30, 2024 and 2023, the Department's average contribution rate was 9.0% and 9.5%, respectively, of covered employee payroll. Employees are not required to contribute to the retiree healthcare plan. Water System contributions to the retiree healthcare plan were $38.1 million and $37.3 million including administrative expenses of $0.4 million and $0.3 million for the fiscal years ended June 30, 2024 and 2023, respectively.

(Continued)

The Department contributes to the death benefit fund based on actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based on recommendations received from the Plan's actuary after the completion of the review of the death benefit fund. The employer and member contribution rates as of June 30, 2024 are as follows:

		Members	
	Department	Active	Retired
Total death benefit fund	1.21 % of payroll		
Supplemental family death benefit insured lives		$2.25 biweekly	$4.90 monthly
Contributing		$1.00 biweekly	N/A
Noncontributing		N/A	N/A

Water System contributions to the death benefits plan were $5.8 million including administrative expenses of $0.6 million for the fiscal year ended June 30, 2024

The employer and member contribution rates as of June 30, 2023 are as follows:

		Members	
	Department	Active	Retired
Total death benefit fund	1.11% of payroll	N/A	N/A
Supplemental family death benefit insured lives		$2.25 biweekly	$4.90 monthly
Contributing		$1.00 biweekly	N/A
Noncontributing		N/A	N/A

Water System contributions to the death benefits plan were $5.4 million including administrative expenses of $0.7 million for the fiscal year ended June 30, 2023.

(e) Net OPEB Liability (Asset)

The Water System reported an asset of $(77) million and $(6) million for its proportionate share of the net OPEB liability (asset) for retiree healthcare plan and the death benefit plan as of the June 30, 2024 and 2023 reporting dates, respectively. The net OPEB liability for each of the plans was measured as of June 30, 2023 and 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations for health benefit as of June 30, 2023 and 2022 and death benefit as of July 1, 2023 and 2022. The Water System's proportion of the net OPEB liability was based on the Water System's projected compensation for the year following the measurement date, relative to the projected compensation for the same period for both the Water System and the Power System. At June 30, 2024 and 2023, the Water System's proportion of the retiree healthcare plan and the death benefit plan net OPEB liabilities was 32.4% and 32.9%, respectively.

(Continued)

The following table shows the Water System's proportionate share of the net OPEB liability (asset) for each of the plans as of June 30, 2024 and 2023 (amounts in thousands):

		2024	2023
OPEB liability for retiree healthcare plan	$	(112,111)	(42,801)
OPEB liability for death benefit plans		35,245	37,036
Net OPEB (asset) liability	$	(76,866)	(5,765)

The total OPEB liability in the June 30, 2023 actuarial valuations used for the Water System's June 30, 2024 financial statements was determined using the following actuarial assumptions:

	Retiree healthcare plan	Family death benefit	Supplemental death benefit	Insured lives benefit (contributing active members)	Insured lives death benefit (noncontributing members)
Cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Investment rate of return	6.50 %	2.75 %	2.75 %	2.75 %	2.75 %
Inflation rate	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %
Real across the board salary increases	0.50 %	0.50 %	0.50 %	0.50 %	0.50 %
Projected salary increase	4.25% to 10%	4.25% to 10.00%	4.25% to 10.00%	4.25% to 10.00%	4.25% to 10.00%
Mortality table	Pub-2010 mortality table reflected for mortality experience as of the measurement date	—	—	—	—
Medical cost trends:					
Non-Medicare medical plan	7.00%, graded down to 4.50% over 10 years	—	—	—	—
Medicare medical plans	6.25%, graded down to 4.50% over 7 years	—	—	—	—
Dental and Medicare Part B	3.00 and 4.50%	—	—	—	—
Member contribution rate	None	None	$2.25 per biweekly period or $4.90 per month if retired	$1.00 per biweekly payroll period	None
Department contribution rate	9.02%	1.21% of Payroll	—	—	—

(Continued)

	Retiree healthcare plan	Family death benefit	Supplemental death benefit	Insured lives benefit (contributing active members)	Insured lives death benefit (noncontributing members)
Age and service requirement	Tier 1 – Age 60 with 5 years of service; age 55 with 10 years of service in the last 12 years; any age with 30 years of service; or receiving permanent total disability benefits from the Plan. Tier 2 – Age 60 with 5 years of continuous service with the Plan immediately prior to reaching eligibility; or age 60 with 10 years. of service; or any age with 30 years of service; or receiving permanent total disability benefits from the Plan	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving a monthly retirement from WPERP with at least five years of service at retirement	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving monthly retirement from WPERP	Any age with six months of continuous service. Preretirement death of an active, full, contributing member to WPERP	Death occurs after retirement and member was receiving a retirement monthly allowance from WPERP and had at least five years of service at retirement
Monthly benefit	Tier 1 – $30.32 to $1,896.76 Tier 2 – $30.32 to $948.38	$416 per month to each surviving child plus $416 per month to eligible spouse	$520 per month to each surviving child plus $520 per month to eligible spouse	A single sum distribution equal to 14 times the monthly salary	A single sum distribution equal to 14 times the member's full retirement allowance up to $20,000
Participation rate	100% for medical and 100% for dental	—	—	—	—
Retirement rates	Based on 2022 experience study covering the period from July 1, 2018 through June 30, 2021	—	—	—	—

Mortality rates in the June 30, 2023 valuation were based on the Pub2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP2021. The actuarial assumptions used in the June 30, 2023 valuation were based on the long-term expected rate of return on OPEB plan investments, which was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(Continued)

At June 30, 2024, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for each fund:

Asset class	Targeted allocation	Long-term expected arithmetic real rate of return
Large cap U.S. equity	21.10 %	5.13 %
Small cap U.S. equity	2.10	5.86
Developed international large cap equity	12.20	6.01
Developed international small cap equity	1.80	5.72
Global equity	2.70	5.94
Emerging market equity	5.10	8.16
TIPS	3.50	(0.23)
Real estate	7.00	4.60
Cash and equivalents	1.00	(0.77)
Commodities	1.50	2.77
Private equity	10.00	10.46
Private credit	2.40	5.94
Hedge funds	5.00	1.85
Non-core real estate	3.00	7.14
Custom fixed income	21.60	0.68
Total	100.00 %	

	Targeted allocation	Long-term expected arithmetic real rate of return
Death benefit:		
Fixed income	100 %	0.36 %
	100 %	

At June 30, 2024, for the retiree healthcare fund, the discount rate used to measure the total OPEB liability was 6.50% for the year ended June 30, 2024. The projection of cash flows used to determine the discount rate assumed that Department's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

At June 30, 2024, for the death benefit fund, projected investment earnings were based on the assumed investment rate of return of 2.75% per annum. The plan fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. There is no projected "cross-over date" when projected benefits are not covered by projected assets. The long-term expected rate of return on Plan investments of 2.75% per annum was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2023.

The total OPEB liability in the June 30, 2022 actuarial valuations used for the Water System's June 30, 2023 financial statements was determined using the following actuarial assumptions:

	Retiree healthcare plan	Family death benefit	Supplemental death benefit	Insured lives benefit (contributing active members)	Insured lives death benefit (noncontributing members)
Cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Investment rate of return	6.50%	2.75%	2.75%	2.75%	2.75%
Inflation rate	2.50%	2.50%	2.50%	2.50%	2.50%
Real across the board salary increases	0.50%	0.50%	0.50%	0.50%	0.50%
Projected salary increase	4.25% to 10%	4.25% to 10.00%	4.25% to 10.00%	4.25% to 10.00%	4.25% to 10.00%
Mortality table	Pub-2010 mortality table reflected for mortality experience as of the measurement date	—	—	—	—
Medical cost trends:					
Non-Medicare medical plan	7.25%, graded down to 4.50% over 11 years	—	—	—	—
Medicare medical plans	6.50%, graded down to 4.50% over 8 years	—	—	—	—
Dental and Medicare Part B	3.00 and 4.50%	—	—	—	—
Member contribution rate	None	None	$2.25 per biweekly period or $4.90 per month if retired	$1.00 per biweekly payroll period	None

(Continued)

	Retiree healthcare plan	Family death benefit	Supplemental death benefit	Insured lives benefit (contributing active members)	Insured lives death benefit (noncontributing members)
Department contribution rate Total death benefit fund	9.51%	1.11% of Payroll	—	—	—
Age and service requirements	Tier 1 – Age 60 with 5 years of service; age 55 with 10 years of service in the last 12 years; any age with 30 years of service; or receiving permanent total disability benefits from the Plan. Tier 2 – Age 60 with 5 years of continuous service with the Plan immediately prior to reaching eligibility; or age 60 with 10 years of service; or any age with 30 years of service; or receiving permanent total disability benefits from the Plan	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving a monthly retirement from WPERP with at least five years of service at retirement	Preretirement death of an active, full, contributing member at any age; or postretirement death of a member receiving monthly retirement from WPERP	Any age with six months of continuous service. Preretirement death of an active, full, contributing member to WPERP	Death occurs after retirement and member was receiving a retirement monthly allowance from WPERP and had at least five years of service at retirement
Monthly benefit	Tier 1 – $30.32 to $1,996.58 Tier 2 – $30.32 to $998.29	$416 per month to each surviving child plus $416 per month to eligible spouse	$520 per month to each surviving child plus $520 per month to eligible spouse	A single sum distribution equal to 14 times the monthly salary	A single sum distribution equal to 14 times the member's full retirement allowance up to $20,000
Participation rate	100% for medical and 100% for dental	—	—	—	—
Retirement rates	Based on 2022 experience study covering the period from July 1, 2018 through June 30, 2021	—	—	—	—

At June 30, 2023, mortality rates were based on the Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021. The actuarial assumptions used in the June 30, 2022 valuation were based on the long-term expected rate of return

(Continued)

on OPEB plan investments, which was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

At June 30, 2023, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for each fund:

Asset class	Targeted allocation	Long-term expected arithmetic real rate of return
Large cap U.S. equity	21.10 %	5.13 %
Small cap U.S. equity	2.10	5.86
Developed international large cap equity	12.20	6.01
Developed international small cap equity	1.80	5.72
Global equity	2.70	5.94
Emerging market equity	5.10	8.16
TIPS	3.50	(0.23)
Real estate	7.00	4.60
Cash and equivalents	1.00	(0.77)
Commodities	1.50	2.77
Private equity	10.00	10.46
Private credit	2.40	5.94
Hedge funds	5.00	1.85
Non-core real estate	3.00	7.14
Custom fixed income	21.60	0.68
Total	100.00 %	

	Targeted allocation	Long-term expected arithmetic real rate of return
Death benefit:		
Fixed income	100 %	0.36 %
	100 %	

(Continued)

At June 30, 2023, for the retiree healthcare fund, the discount rate used to measure the total OPEB liability was 6.50% for the year ended June 30, 2023. The projection of cash flows used to determine the discount rate assumed that Department's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

At June 30, 2023, for the death benefit fund, projected investment earnings were based on the assumed investment rate of return of 2.75% per annum. The plan fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. There is no projected "cross-over date" when projected benefits are not covered by projected assets. The long-term expected rate of return on Plan investments of 2.75% per annum was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2022.

(f) Sensitivity of Net OPEB Liability (Asset) to Changes in the Discount Rate Rates

The following table represents the net OPEB liability (asset) of the Water System, calculated using the stated discount rate assumption as well as what the Water System's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage-point higher than the current discount rate (amounts in thousands):

		June 30, 2024		
		1% decrease	**Current**	**1% increase**
Discount rate		5.50 %	6.50 %	7.50 %
Net OPEB liability (asset) – retiree healthcare plan	$	14,430	(112,111)	(215,496)
Discount rate		1.75 %	2.75 %	3.75 %
Net OPEB liability – death benefit plan	$	43,725	35,245	28,525

		June 30, 2023		
		1% decrease	**Current**	**1% increase**
Discount rate		5.50 %	6.50 %	7.50 %
Net OPEB liability (asset) – retiree healthcare plan	$	84,671	(42,801)	(147,051)
Discount rate		1.75 %	2.75 %	3.75 %
Net OPEB liability – death benefit plan	$	45,572	37,036	30,275

(g) Sensitivity to Net OPEB Liability (Asset) to Changes in Healthcare Cost Trend Rates

The following table represents the net OPEB liability (asset) of the Water System, calculated using the stated healthcare cost trend assumption as well as what the Water System's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend that is one percentage point lower or one percentage point higher than the current healthcare cost trend rates (amounts in thousands):

	June 30, 2024		
	1% decrease	Current*	1% increase
Net OPEB liability (asset) – retiree healthcare plan	$ (227,182)	(112,111)	33,094

* Current trend rates: 7.00% graded down to 4.50% over 10 years for non-Medicare medical plan costs; 6.25% graded down to 4.50% over 7 years for Medicare medical plan costs, and 3.00% for all years for dental subsidy costs and 4.50% for all years for Medicare Part B subsidy costs

There is no trend rate assumption used in valuing the death benefit plan.

	June 30, 2023		
	1% decrease	Current*	1% increase
Net OPEB liability (asset) – retiree healthcare plan	$ (158,381)	(42,801)	102,644

* Current trend rates: 7.25% graded down to 4.50% over 11 years for non-Medicare medical plan costs; 6.50% graded down to 4.50% over 8 years for Medicare medical plan costs, and 3.00% for all years for dental subsidy costs and 4.50% for all years for Medicare Part B subsidy costs

There is no trend rate assumption used in valuing the death benefit plan.

(h) OPEB Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued plan financial report. The OPEB plans' fiduciary net positions are determined based on the accrual basis of accounting, which is on the same basis of accounting as the Plan. OPEB plan investments are recorded at fair value except for short-term investments, which are recorded at amortized cost. Benefit payments include costs designed by the plan document and administrative expenses.

(i) OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the Water System recognized OPEB expense of $1,804 thousand and $3,871 thousand for its proportionate share of the healthcare and death benefits plans, respectively. At June 30, 2023, the Water System recognized OPEB expense of $(9,082) thousand and $3,683 thousand for its proportionate share of the healthcare and death benefits plans, respectively. At

June 30, 2024, the Water System reported deferred outflows and inflows of resources related to OPEB Plans from the following sources (in thousands):

	Retiree healthcare plan		Death benefits plan		Total	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Change in proportion and differences between employer category's contributions	$ 1,805	2,277	872	609	2,677	2,886
Changes of assumptions	15,712	62,958	4,208	1,262	19,920	64,220
Net difference between projected and actual earnings on OPEB plan investments	5,922	—	1,551	—	7,473	—
Differences between expected and actual experience	10,051	69,971	748	562	10,799	70,533
	33,490	135,206	7,379	2,433	40,869	137,639
Employer contributions subsequent to the measurement date	38,100	—	5,752	—	43,852	—
Totals	$ 71,590	135,206	13,131	2,433	84,721	137,639

For the year ended June 30, 2023, the Water System recognized OPEB expense of $(9,082) thousand and $3,683 thousand for its proportionate share of the healthcare and death benefits plans, respectively. At June 30, 2022, the Water System recognized OPEB expense of $(28,495) thousand and $2,474 thousand for its proportionate share of the healthcare and death benefits plans,

(Continued)

respectively. At June 30, 2023, the Water System reported deferred outflows and inflows of resources related to OPEB Plans from the following sources (in thousands):

	Retiree healthcare plan		Death benefits plan		Total	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Change in proportion and differences between employer category's contributions	$ 2,472	2,318	1,108	285	3,580	2,603
Changes of assumptions	22,272	11,822	4,964	1,792	27,236	13,614
Net difference between projected and actual earnings on OPEB plan investments	13,232	—	1,437	—	14,669	—
Differences between expected and actual experience	—	91,113	719	860	719	91,973
	37,976	105,253	8,228	2,937	46,204	108,190
Employer contributions subsequent to the measurement date	37,347	—	5,392	—	42,739	—
Totals	$ 75,323	105,253	13,620	2,937	88,943	108,190

Contributions after the measurement date shown above will be recognized as deferred outflows of resources in the accompanying financial statements.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows (in thousands):

	For the year ended June 30, 2024		
	Retiree healthcare plan	Death benefits plan	Total
Year ending June 30:			
2025	$ (23,574)	569	(23,005)
2026	(28,758)	786	(27,972)
2027	(1,642)	1,037	(605)
2028	(20,757)	925	(19,832)
2029	(10,239)	815	(9,424)
2030	(8,776)	771	(8,005)
2031	(6,607)	53	(6,554)
2032	(1,364)	(9)	(1,373)
	$ (101,717)	4,947	(96,770)

	For the year ended June 30, 2023		
	Retiree healthcare plan	Death benefits plan	Total
Year ending June 30:			
2024	$ (19,605)	410	(19,195)
2025	(15,322)	514	(14,808)
2026	(20,575)	735	(19,840)
2027	6,914	988	7,902
2028	(12,466)	875	(11,591)
2029	(3,795)	862	(2,933)
2030	(2,313)	817	(1,496)
Thereafter	(115)	90	(25)
	$ (67,277)	5,291	(61,986)

(j) Overrecovered Costs – OPEB

In connection with the recognition of the net OPEB liability (asset) under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the Water System established a regulatory asset in the amount of $211.7 million equal to the net OPEB liability

(asset) reported at July 1, 2017 less contributions after the measurement date. Amortization of the regulatory asset is the difference between amounts paid toward actuarially determined contributions and actual OPEB expense, which totaled $13.5 million and $47 million for the years ended June 30, 2024 and 2023, respectively.

During the year ended June 30, 2024, the difference between amounts paid toward actuarially determined contributions and actual OPEB expense exceeded the remaining balance in the regulatory asset and resulted in the recognition of overrecovered costs – OPEB in the amount of $23.9 million.

(k) Disability Benefits

The Water System's allocated share of disability benefit plan costs and administrative expenses totaled $6 million and $5 million for fiscal years 2024 and 2023, respectively. Disability benefits are paid to active employees who qualify under the Plan's provisions and terminate with the employee's retirement.

(9) Other Long-Term Liabilities

The Water System has the following other long-term liabilities:

(a) Accrued Workers' Compensation Claims

Liabilities for unpaid workers' compensation claims are recorded at their net present value when they are probable of occurrence and the amount can be reasonably estimated. The liability is actuarially determined based on an estimate of the present value of the claims outstanding and an amount for claim events incurred but not reported based on the Water System's loss experience, less the amount of claims and settlements paid to date. The discount rate used to calculate the accrued workers' compensation liability as presented in the statements of net position was 2% at both June 30, 2024 and 2023. The Water System has third-party insurance coverage for workers' compensation claims over $1 million.

Overall indicated reserves for workers' compensation claims for both the Water System and the Power System, undiscounted, have been estimated at $110 million and $99 million as of June 30, 2024 and 2023, respectively. Workers' compensation claims typically take longer than one year to settle and close out. The entire discounted liability is shown as long term on the statements of net position as of June 30, 2024 and 2023.

Changes in the Department's undiscounted liability since June 30, 2021 are summarized as follows (amounts in thousands):

		June 30		
		2024	2023	2022
Balance at beginning of year	$	98,516	83,569	76,409
Current year claims and changes in estimates		43,611	48,526	34,548
Payments applied		(32,058)	(33,579)	(27,388)
Balance at end of year	$	110,069	98,516	83,569

The Water System's portion of the discounted accrued workers' compensation liability is estimated at $36 million and $31 million for the fiscal years ended June 30, 2024 and 2023, respectively.

(10) Commitments and Contingencies

(a) Purchase Water Commitments

As a member of the Metropolitan Water District (Metropolitan), the Water System purchases water from Metropolitan pursuant to water supply purchase orders entered into with Metropolitan for specific periods. In January 2015, the Water System and Metropolitan executed a new Purchase Order for Imported Water Supply Agreement (the Purchase Order Agreement), which requires the Water System 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. Some of the key terms of the Purchase Order Agreement include the following: (a) the Water System's annual maximum Tier 1 allocation of water from Metropolitan is 335,663 acre-feet per year, or 3,356,630 acre-feet for the 10-year term of the Purchase Order Agreement; (b) any obligation to pay Metropolitan's Tier 2 supply rate will only be assessed if a member agency exceeds its total 10-year Tier 1 allocation. Under the previous purchase order agreement, Tier 2 costs were assessed on an annual basis, with no ability for member agencies to carry over unused Tier 1 allocation from one year to the next; (c) opportunity to reset the base period demand using a five-year rolling average; and (d) an appeals process for agencies with unmet purchase commitments has been established. This will allow each acre-foot of unmet purchase order commitment to be reduced by the amount of production from a local resource project that commences operation on or after January 1, 2014, which will allow member agencies who successfully develop local supplies, not to be charged if production of these supplies negatively impacts their minimum purchase order commitment.

As of June 30, 2024, the Water System has purchased 2,252,201 acre-feet from Metropolitan under the current Purchase Order Agreement, exceeding the minimum purchase requirement of 2,033,130 acre feet. The Water System has fulfilled its purchase order commitment from Metropolitan and does not anticipate exceeding its maximum Tier 1 allocation. The Water System expects to purchase 48,992 acre-feet of water from Metropolitan before the expiration of the Purchase Order Agreement on December 31, 2024, which is estimated to cost $83 million. Metropolitan adopted a new rate structure

(Continued)

effective January 1, 2025 that only includes a single tier supply rate, and has opted to not renew the expiring Purchase Order agreement.

(b) Environmental Liabilities

The Water System follows GASB Statement No. 49, *Accounting and Financial Reporting for Pollution and Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post closure care and nuclear power plant decommissioning.

The Water System estimates its environmental liabilities using the expected cash flow method as required by GASB 49. This method estimates the current value of outlays expected to be incurred measured as a sum of the probability weighted amounts in a range of possible estimated amounts. The Water System's environmental liabilities relate primarily to its underground storage tanks. The Water System is working with the Los Angeles Regional Water Quality Control Board and the Lahontan Regional Quality Control Board, which have jurisdiction over these sites. The Water System's estimated liability for these sites is $17.5 million and $17.1 million for the years ended June 30, 2024 and 2023, respectively, and includes remediation and ongoing operation and maintenance costs where estimable. This liability is recorded as part of the Water System's accrued expenses. These estimates are reviewed and updated annually.

(c) Surface Water Treatment Rule

The State of California Surface Water Treatment Rule (SWTR) imposed increased filtration requirements at any open distribution reservoir exposed to surface water runoff. The Water System had four major reservoirs in its system subject to SWTR: Upper and Lower Hollywood, Lower Stone Canyon, and Encino. To comply with SWTR, the Water System designed projects to remove these reservoirs from regular service through construction of larger pipelines and alternate covered storage facilities.

The Hollywood Water Quality Improvement Project was completed in July 2002. Upper and Lower Hollywood Reservoirs were removed from service and functionally replaced by two 30 million-gallon tanks and additional pipelines. Construction of the Encino Water Quality Improvement Project was completed in December 2007. Construction of the Lower Stone Canyon Water Quality Improvement Project was completed in November 2008. Management believes the Water System is now in compliance with the SWTR.

(d) Stage 2 Disinfectants and Disinfection Byproduct Rule

In January 2006, the Environmental Protection Agency (EPA) published the Stage 2 Disinfectants and Disinfection Byproduct Rule (Stage 2 DBP Rule) in the federal register. The Stage 2 DBP Rule strengthens public health protection for customers by tightening compliance monitoring requirements for two groups of disinfection by products (DBPs): trihalomethanes and haloacetic acids. DBPs form

when naturally occurring materials in water (e.g., decomposing plant material) combine with chemicals added to disinfect the water. DBPs are associated with cancer.

In order to comply with the requirements of the Stage 2 DBP Rule, the Water System changed its primary disinfectant from chlorine to chloramines. In order to convert to chloramines, the Department constructed an ultraviolet filtration plant, two chloramination stations, three ammoniation stations, and, two chlorination stations and has and will continue to install mixers in tanks and reservoirs. The Water System achieved compliance with the Stage 2 DBP Rule before the April 1, 2014 compliance date. Additional treatment facilities will be constructed as groundwater sources are improved and/or expanded. The cost of Stage 2 DBP compliance-related engineering studies and construction activities are expected to be approximately $459.6 million at completion. The actual expenditures to date are $365.5 million.

(e) Long-Term 2 Enhanced Surface Water Treatment Rule

In January 2006, the EPA published the Long-Term 2 Enhanced Surface Water Treatment Rule (LT2) in the federal register. The LT2 builds upon the Safe Drinking Water Act and other earlier water quality rules to strengthen protection against microbial contaminants, especially cryptosporidium. Cryptosporidium is a significant concern in drinking water because it contaminates most watersheds used for the collection of drinking water and can cause gastrointestinal illness. All of the Department's six open reservoirs are now compliant under the LT2. Santa Ynez, Elysian, and Upper Stone Canyon Reservoirs were covered. Silver Lake and Ivanhoe Reservoirs were removed from service. Construction of an ultraviolet treatment plant at the Los Angeles Reservoir was completed in January 2023. The cost of LT2 compliance-related engineering studies and construction activities is expected to reach $1.695 billion at completion. The actual cost spent to date has been $1.616 billion.

(f) Owens Lake

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. By 1905, diversion of water by farmers in the Owens Valley, coupled with drought in the region, had shrunk the lake even further to approximately 60% of what it was in the mid-1800s. By 1913, the City had purchased much of the water rights in the Owens Valley and had completed the First LAA to divert most of the remaining water in the Owens River south to Los Angeles. As a result, the lakebed has been essentially dry since the late 1920s. The exposed lakebed became a significant source of particulate matter of 10 micrometers or less in diameter (PM10), causing the U.S. EPA to classify the southern Owens Valley as a serious nonattainment area for PM10 in 1991. The Great Basin Unified Air Pollution Control District (District), under the authority of Health and Safety code 42316, is responsible for bringing the airshed into attainment with national ambient air quality standards (NAAQS) for PM10, prepared the first State Implementation Plan (SIP) in 1998. Since then, there have been three other SIPs in 2003, 2008, 2016, and one amendments in 2013. In addition, there have been several settlement agreements, stipulated judgments, and orders that govern dust controls on the Lake.

The Water System has successfully constructed approximately 48.6 square miles of dust control facilities in 10 corresponding phases of construction in response to orders issued by the District over the past 22 years. In November 2014, the Department reached a historic agreement with the District.

The agreement was memorialized in a stipulated judgment that provides several benefits to the Department, including provisions: (1) permitting the use of less water-intensive and completely waterless measures to control dust at the lakebed, resulting in more water available for customer use; (2) limiting the City's liability for dust mitigation to no more than 53.4 square miles; (3) forming an Owens Lake Scientific Advisory Panel; (4) addressing the discovery of Native American artifacts on or around the lakebed; and (5) providing a clear path to reaching attainment of NAAQS.

The Water System completed construction of the Owens Lake Dust Mitigation Program – Phase 9/10 Project by the compliance deadline of December 31, 2017. The Phase 9/10 Project entailed mitigating dust emissions from an additional 3.62 square miles of Owens Lake playa through use of Gravel Blanket, Managed Vegetation, and Shallow Flooding Best Available Control Measures at a cost of $268 million. At completion of Phase 9/10, the Department has now controlled dust emission on 48.6 square miles of Owens Lake playa, resulting in 99.4% overall reduction in PM10 emissions. In accordance with the 2014 Stipulated Judgment, and as modeled by the District in the 2016 SIP, the Owens Valley Planning Area (OVPA) reached the regulatory finish line necessary for attainment of NAAQS by the end of 2017. An attainment demonstration package prepared by the Water System, which employs EPA's Exceptional Events Rule from 2018 through 2020, was submitted to Great Basin Unified Air Pollution Control District (GBUAPCD) in early 2021 for their consideration. Despite this, GBUAPCD refuses to move the OVPA into attainment status, and has issued new dust mitigation contingency orders in 2021 and 2022 totaling approximately 120 acres in size. The estimated total cost of the recently ordered projects is approximately $14 million.

The annual cost of operating and maintaining all infrastructure constructed at Owens Lake in the last three years runs at an average of $40 million. The annual cost of regulatory fees, SCADA, capital water efficiency improvements, monitoring & productions wells, and regulatory consultant support is approximately $30.6 million per year. Over the next 10 years the Water System will be pursuing several large capital infrastructure rehabilitation projects to keep up with infrastructure replacement cycles accelerated by the corrosive nature of Owens Lake. All improvements made to Owens Lake as part of dust mitigation efforts are recorded as Utility Plant in the year made.

(g) Litigation

A number of claims and suits are pending against the Water System for alleged damages to persons and property and for other alleged liabilities arising out of its operations. In the opinion of management, any ultimate liability, which may arise from these actions, is not expected to materially impact the Water System's net position, changes in net position, or cash flows as of June 30, 2024.

(h) Risk Management

The Water System is subject to certain business risks common to the utility industry. The majority of these risks are mitigated by external insurance coverage obtained by the Water System. For other significant business risks, however, the Water System has elected to self-insure. Management believes that exposure to loss arising out of self-insured business risks will not materially impact the Water System's net position, changes in net position, or cash flows as of June 30, 2024.

(i) Credit Risk

Financial instruments, which potentially expose the Water System to concentrations of credit risk, consist primarily of retail receivables. The Water System's retail customer base is concentrated among commercial, industrial, residential, and governmental customers located within the city. Although the Water System is directly affected by the City's economy, management does not believe significant credit risk exists at June 30, 2024 and 2023, except as provided in the allowance for losses. The Water System manages its credit exposure by requiring credit enhancements from certain customers and through procedures designed to identify and monitor credit risk.

(j) FBI Investigation

Federal investigators conducted an investigation related to issues that arose over the class action litigation and settlement regarding the Department's billing system. The Department cooperated fully with the investigators in connection with their investigation and understands that the investigation is now closed.

The Department does not believe that the billing system related lawsuits will have a material adverse effect on the Department's operations or financial position.

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

Required Supplementary Information

June 30, 2024

(Unaudited)

Schedule of the Water System's Proportionate Share of the Net Pension Liability

Last 10 fiscal years*

(Amounts in thousands other than percentages)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Water System's proportion of the net pension liability (asset) collective	32.424 %	32.873 %	32.436 %	32.319 %	31.610 %	32.121 %	31.748 %	31.892 %	32.603 %	32.344 %
Water System's proportionate share of the collective net pension liability (asset)	$ 188,730	202,559	(538,006)	359,273	260,739	292,447	426,444	698,878	373,024	411,485
Water System's covered payroll	408,299	387,250	363,899	365,228	325,015	306,316	283,300	274,852	273,607	265,192
Water System's proportionate share of the collective net pension liability (asset) as a percentage of covered payroll	46 %	52 %	(148)%	98 %	80 %	95 %	151 %	254 %	136 %	155 %
Pension plan's fiduciary net position as a percentage of total pension liability (asset)	97 %	96 %	111 %	92 %	94 %	93 %	89 %	82 %	90 %	88 %

* The measurement period for each year presented is on a one-year lag and thus the measurement periods are June 30, 2014–2023 for the Water System's fiscal years June 30, 2015–2024.

See accompanying independent auditors' report.

(Continued)

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

Required Supplementary Information

June 30, 2024

(Unaudited)

Schedule of the Department's Pension Contributions*

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date for Water System June 30[1]	Actuarially determined contributions	Contributions in relation to the actuarially required contributions[2]	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
2024	$ 435,599	425,304	10,295	1,403,031	30.31 %
2023	372,209	361,586	10,623	1,259,246	28.71
2022	302,800	318,874	(16,074)	1,178,016	27.07
2021	373,374	378,990	(5,616)	1,121,884	33.78
2020	424,375	422,017	2,358	1,130,066	37.34
2019	408,750	410,165	(1,415)	1,028,212	39.89
2018	425,512	433,413	(7,901)	953,636	45.45
2017	403,780	391,717	12,063	892,331	43.90
2016	368,600	362,360	6,240	861,819	42.05
2015	387,465	376,902	10,563	839,213	44.91

(1) The measurement date under GASB Statement No. 68 is on a one-year lag.

(2) Contributions do not include administrative expenses paid to the Plan.

* Information in this schedule was not separately available for the Water System.

See accompanying independent auditors' report.

(Continued)

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

Required Supplementary Information

June 30, 2024

(Unaudited)

Schedule of Water System's Proportionate Share of the Net OPEB Liability (Asset) – Retiree Healthcare Plan

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date of employer	Measurement date	Proportionate share of net OPEB liability (asset)	Proportionate share of net OPEB liability (asset)	Projected compensation	Covered payroll	Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	Plan's fiduciary net position as a percentage of the total OPEB liability (asset)
June 30, 2024	June 30, 2023	32.42 %	$ (112,111)	468,117	408,299	(27.46)%	113.17 %
June 30, 2023	June 30, 2022	32.87	(42,801)	430,588	387,250	(11.05)	104.95
June 30, 2022	June 30, 2021	32.44	(113,151)	400,027	363,899	(31.09)	113.58
June 30, 2021	June 30, 2020	32.32	60,273	391,643	365,228	16.50	92.51
June 30, 2020	June 30, 2019	31.61	146,320	360,944	325,015	45.02	82.75
June 30, 2019	June 30, 2018	32.12	123,220	344,835	306,316	40.23	84.46
June 30, 2018	June 30, 2017	31.75	138,297	314,885	283,300	48.82	84.44
June 30, 2017	June 30, 2016	31.89	204,468	296,242	274,852	74.39	72.53

Note: Information before measurement date June 30, 2016 is not available.

See accompanying independent auditors' report.

(Continued)

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

Required Supplementary Information

June 30, 2024

(Unaudited)

Schedule of Water System's Proportionate Share of the Net OPEB Liability – Death Benefit Plan

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date of employer	Measurement date	Proportionate share of net OPEB liability	Proportionate share of net OPEB liability	Projected compensation	Covered payroll	Proportionate share of the net OPEB liability as a percentage of covered payroll	Plan's fiduciary net position as a percentage of the total OPEB liability
June 30, 2017	June 30, 2016	31.89 %	$ 37,542	296,242	274,852	13.66 %	19.32 %
June 30, 2018	June 30, 2017	31.75	37,852	314,885	283,300	13.36	18.79
June 30, 2019	June 30, 2018	32.12	37,472	344,835	306,316	12.23	18.91
June 30, 2020	June 30, 2019	31.61	33,333	360,944	325,015	10.26	21.46
June 30, 2021	June 30, 2020	32.32	31,147	391,643	365,228	8.53	27.94
June 30, 2022	June 30, 2021	32.44	30,263	400,027	363,899	8.32	30.39
June 30, 2023	June 30, 2022	32.87	37,036	430,588	387,250	9.56	26.45
June 30, 2024	June 30, 2023	32.42	35,245	468,117	408,299	8.63	29.98

Note: Information before measurement date June 30, 2016 is not available.

See accompanying independent auditors' report.

(Continued)

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

Required Supplementary Information

June 30, 2024

(Unaudited)

Schedule of Department Contributions – Retiree Healthcare Plan*

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date for the Water System June 30	Actuarially determined contributions[1]	Contributions in relation to the actuarially required contributions[2]	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
2024	$ 47,975	114,570	(66,595)	1,403,031	8.17 %
2023	55,585	113,571	(57,986)	1,259,246	9.02
2022	49,688	112,081	(62,393)	1,178,016	9.51
2021	63,165	109,282	(46,117)	1,121,884	9.74
2020	95,375	109,401	(14,026)	1,130,066	9.68
2019	80,851	101,595	(20,744)	1,028,212	9.88
2018	85,339	95,233	(9,894)	953,635	9.99
2017	93,920	90,310	3,610	892,332	10.12
2016	61,971	79,896	(17,925)	861,819	9.27
2015	70,748	78,497	(7,749)	839,214	9.35

(1) All actuarially determined contributions through June 30, 2016 were determined as the annual requirement under GASB Statements No. 43 and No. 45.

(2) Contributions do not include administrative expenses paid to the Plan.

* Information in this schedule was not separately available for the Water System.

See accompanying independent auditors' report.

(Continued)

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

Required Supplementary Information

June 30, 2024

(Unaudited)

Schedule of Department Contributions – Death Benefit Plan*

Last 10 fiscal years

(Amounts in thousands other than percentages)

Reporting date for the Water System June 30	Actuarially determined contributions[1]	Contributions in relation to the actuarially required contributions	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
2024	$ 15,995	16,472	(477)	1,403,031	1.17 %
2023	15,237	14,632	605	1,259,246	1.16
2022	13,076	13,134	(58)	1,178,016	1.11
2021	12,565	12,899	(334)	1,121,884	1.15
2020	13,335	13,300	35	1,130,066	1.18
2019	7,260	7,260	—	1,028,212	0.71
2018	7,137	7,137	—	953,636	0.75
2017	7,138	7,138	—	892,332	0.80
2016	7,207	7,207	—	861,819	0.84

Note: Information before reporting date June 30, 2016 is not available.

(1) Contributions do not include administrative expenses paid to the Plan.

* Information in this schedule was not available separately for the Water System.

See accompanying independent auditors' report.

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 2025 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 2025, 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 310,000 manufacturing jobs in the County in 2024. 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

Year[(1)]	*City of Los Angeles*	*Percentage Change*[(2)]	*County of Los Angeles*	*Percentage Change*[(2)]	*State of California*	*Percentage Change*[(2)]
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
2025	3,835,263	0.54	9,876,811	0.53	39,529,101	1.02

(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 2, 2022 for years 2010 and 2015; State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2025, with 2020 Census Benchmark. Sacramento, California, May 2024 for years 2020 through 2024.

[Remainder of page intentionally left blank]

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)]

	2020	*2021*	*2022*	*2023*	*2024*
Civilian Labor Force					
City of Los Angeles					
Employed	1,787,300	1,868,300	1,947,300	1,957,000	1,962,900
Unemployed	251,500	181,900	102,600	108,500	124,400
Total	2,038,800	2,050,200	2,049,900	2,065,500	2,087,300
County of Los Angeles					
Employed	4,350,500	4,547,600	4,739,900	4,763,600	4,812,600
Unemployed	609,800	445,900	244,900	252,000	297,200
Total	4,960,300	4,993,500	4,984,800	5,015,600	5,109,800
Unemployment Rates					
City	12.3%	8.9%	5.0%	5.3%	6.0%
County	12.3%	8.9%	4.9%	5.0%	5.8%
State	10.1%	7.3%	4.2%	4.8%	5.3%
United States	8.1%	5.3%	3.6%	3.6%	4.0%

(1) March 2024 Benchmark report as of March 2025, 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 2025 of 5.0 percent statewide, 5.1 percent for the County, and 5.3 percent for the City (not seasonally adjusted).

[Remainder of page intentionally left blank]

The following table summarizes the California Employment Development Department's estimated annual employment for the County as of March 2024, 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)]

	County of Los Angeles 2024	***% of Total***	***State of California 2024***	***% of Total***
Agricultural	4,700	0.1%	412,700	2.2%
Mining and Logging	1,700	0.0	18,900	0.1
Construction	150,900	3.3	912,100	5.0
Manufacturing	310,800	6.8	1,249,100	6.8
Trade, Transportation and Utilities	814,000	17.7	3,082,300	16.8
Information	189,800	4.1	538,100	2.9
Financial Activities	208,700	4.5	802,500	4.4
Professional and Business Services	657,800	14.3	2,786,800	15.2
Educational and Health Services	969,400	21.1	3,285,500	17.9
Leisure and Hospitality	537,400	11.7	2,015,800	11.0
Other Services	158,400	3.4	594,700	3.2
Government	591,100	12.9	2,662,900	14.5
Total	**4,594,700**		**18,361,400**	

(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 2 above.

Source: California Employment Development Department, Labor Market Information Division. Based on March 2024 Benchmark report as of March 28, 2025.

[Remainder of page intentionally left blank]

Major Employers

The estimated top 25 major non-governmental employers in the County in 2024 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
2024 MAJOR NON-GOVERNMENTAL EMPLOYERS

Employer	*Product/Service*	*Employees*
Kaiser Permanente	Nonprofit health care system	47,438
University of Southern California	Private university	24,099
Northrop Grumman Corp.	Systems and products in aerospace and information systems	18,708
The Walt Disney Co.	Media and entertainment	13,400
Home Depot	Home improvement retailer	12,000
UPS	Logistics, transportation and freight	11,542
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	10,783
Providence	Healthcare	10,153
Target Corp.	Retailer	10,020
NBCUniversal	Media and entertainment	8,576
Cedars-Sinai	Healthcare organization	8,427
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,419
Albertsons Cos.	Grocery retailer	7,476
Allied Universal	Provider of security services and technology solutions	6,866
AT&T Inc.	Telecommunications, DirecTV, cable, satellite and television provider	6,475
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	6,427
Bank of America Corp.	Banking and financial services	5,490
Space Exploration Technologies Corp.	Rockets and spacecraft	5,467
Children's Hospital Los Angeles	Nonprofit freestanding children's hospital	5,305
Amazon	Online retailer	5,200[(1)]
Inter-Con Security	Premier security services	5,165
Costco Wholesale	Membership chain of warehouse stores	5,143
Ralphs	Grocery retailer	4,435
Capital Group	Financial services	4,251
CommonSpirit Health	Healthcare	3,360

(1) Business Journal estimate.

Source: Los Angeles Business Journal, Weekly Lists, published August 26, 2024.

The estimated top 25 major governmental employers in the County in 2024 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

Employers	***Employees***
County of Los Angeles	116,571
Los Angeles Unified School District	74,741
University of California, Los Angeles	54,148
Federal Executive Board[(1)]	50,000
City of Los Angeles[(3)]	35,206
Los Angeles Department of Water and Power	11,500
Long Beach Unified School District	11,000
City of Long Beach	6,000
California State University – Long Beach	5,000
California State University – Northridge	4,163[(2)]
Los Angeles World Airports	4,000
Pomona Unified School District	4,000
Los Angeles County Metropolitan Transportation Authority	3,023
California State University – Los Angeles	2,657
Cal Poly Pomona	2,648
Santa Monica Community College District	2,459
Mt. San Antonio Community College District	2,306
City of Santa Monica	2,000
Montebello Unified School District	1,900
California State University – Dominguez Hills	1,761
City of Torrance	1,683
City of Pasadena	1,661
Conejo Valley School District	1,550
Glendale Unified School District	1,431
Los Angeles Community College District	1,223

(1) Reflects 2023 employees. Excludes law enforcement and judiciary employees.
(2) Business Journal estimate.
(3) Excludes proprietary departments (DWP, LAWA, Port of L.A.).
Source: Los Angeles Business Journal, Weekly Lists, published August 26, 2024.

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

Year and Area	*Personal Income (thousands of dollars)*	*Per Capita Personal Income[1] (dollars)*
2018		
County[2]	$ 595,765,931	$58,994
State[3]	2,411,055,136	60,984
United States[3]	17,514,402,000	53,311
2019		
County[2]	$ 629,245,755	$62,591
State[3]	2,537,950,599	64,174
United States[3]	18,343,584,000	55,567
2020		
County[2]	$ 678,548,600	$67,904
State[3]	2,767,521,379	70,061
United States[3]	19,600,945,000	59,153
2021		
County[2]	$ 719,455,363	$73,343
State[3]	3,013,676,900	76,991
United States[3]	21,403,979,000	64,460
2022		
County[2]	$ 722,935,767	$74,378
State[3]	3,006,647,281	77,036
United States[3]	22,077,232,000	66,244
2023		
County[5]	$ 756,659,481	$78,302
State[3]	3,133,678,900	80,423
United States[4]	23,380,369,000	69,810

(1) Per capita personal income is total personal income divided by total midyear population.
(2) Last updated: February 20, 2025; revised statistics for 2010 – 2019.
(3) Last updated: February 20, 2025; revised statistics for 2010 – 2019.
(4) Last updated: February 20, 2025; revised statistics for 2010 – 2019.

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 March 11, 2025).

Retail Sales

As the largest city in the County, the City accounted for $53.2 billion (or approximately 26.3 percent) of the total $202.3 billion in County taxable sales for 2024. The following table sets forth a history of taxable sales for the City for calendar years 2020 through 2024.

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

	2020	*2021*	*2022*	*2023*	*2024*
Motor Vehicle and Parts Dealers	$4,585,480	$5,927,499	$6,558,134	$6,094,730	$5,614,912
Home Furnishings and Appliance Stores	1,523,470	2,025,904	1,974,419	1,735,366	1,594,419
Bldg. Materials and Garden Equip. and Supplies	2,774,916	3,040,639	3,207,718	3,129,813	3,048,481
Food and Beverage Stores	3,045,666	3,154,313	3,357,996	3,312,332	2,999,220
Gasoline Stations	2,903,295	4,469,765	5,873,754	5,156,169	4,653,487
Clothing and Clothing Accessories Stores	2,302,122	3,632,876	3,714,074	3,510,608	3,502,850
General Merchandise Stores	2,494,747	3,037,363	3,297,351	3,269,278	3,137,833
Food Services and Drinking Places	6,320,584	8,881,294	10,921,768	11,360,174	11,210,471
Other Retail Group	4,462,925	5,286,747	5,282,976	4,940,808	4,516,686
Subtotal Retail and Food Services	30,413,205	39,456,400	44,188,190	42,509,281	40,278,363
All Other Outlets	9,241,031	11,296,267	14,218,524	13,178,287	12,923,540
TOTAL ALL OUTLETS	**$39,654,237**	**$50,752,667**	**$58,406,714**	**$55,687,568**	**$53,201,903**
Year-over-year change	(21.0%)	28.0%	15.1%	(4.7%)	(4.5%)

Source: California Department of Tax and Fee Administration, Research and Statistics (last updated April 3, 2025).

[Remainder of page intentionally left blank]

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

	2024-25 Assessed Valuation[(1)]	*% of Total*	*No. of Parcels*	*% of Total*
Non-Residential				
Commercial Office	$ 129,128,080,770	15.55%	26,549	3.36%
Vacant Commercial	2,623,185,313	0.32	1,362	0.17
Industrial	61,388,558,450	7.39	17,711	2.24
Vacant Industrial	2,230,065,137	0.27	4,310	0.55
Recreational	3,061,421,087	0.37	790	0.10
Government/Social/Institutional	4,407,084,769	0.53	3,625	0.46
Miscellaneous	424,367,868	0.05	1,917	0.24
Subtotal Non-Residential	$ 203,262,763,394	24.47%	56,264	7.13%
Residential				
Single Family Residence	$ 425,476,980,532	51.23%	509,328	64.53%
Condominium/Townhouse	54,073,294,850	6.51	90,711	11.49
Mobile Homes and Lots	189,265,869	0.02	3,458	0.44
Mobile Home Park	275,096,056	0.03	93	0.01
2-4 Residential Units	42,498,309,949	5.12	74,987	9.50
5+ Residential Units/Apartments	101,215,661,559	12.19	35,620	4.51
Vacant Residential	3,598,251,986	0.43	18,818	2.38
Subtotal Residential	$ 627,326,860,801	75.53%	733,015	92.87%
Total	**$ 830,589,624,195**	**100.00%**	**789,279**	**100.00%**

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

[Remainder of page intentionally left blank]

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

	No. of Parcels	*2024-25 Assessed Valuation*	*Average Assessed Valuation*	*Median Assessed Valuation*
Single Family Residential Properties	509,328	$425,476,980,532	$835,369	$460,986

2024-25 Assessed Valuation	*No. of Residential Parcels* [(1)]	*% of Total*	*Cumulative % of Total*	*Total Valuation*	*% of Total*	*Cumulative % of Total*
$0 - $49,999	5,760	1.131%	1.131%	$ 208,160,640	0.049%	0.049%
$50,000 - $99,999	12,897	2.532	3.663	974,523,114	0.229	0.278
$100,000 - $149,999	14,926	2.931	6.594	1,864,108,140	0.438	0.716
$150,000 - $199,999	22,588	4.435	11.028	3,983,484,152	0.936	1.652
$200,000 - $249,999	31,081	6.102	17.131	7,007,056,045	1.647	3.299
$250,000 - $299,999	38,541	7.567	24.698	10,573,684,809	2.485	5.784
$300,000 - $349,999	46,836	9.196	33.893	15,195,612,348	3.571	9.356
$350,000 - $399,999	48,432	9.509	43.402	18,145,920,576	4.265	13.621
$400,000 - $449,999	28,084	5.514	48.916	11,926,376,112	2.803	16.424
$450,000 - $499,999	32,217	6.325	55.242	15,290,542,587	3.594	20.017
$500,000 - $549,999	31,542	6.193	61.435	16,550,655,156	3.890	23.907
$550,000 - $599,999	29,473	5.787	67.221	16,931,796,405	3.979	27.887
$600,000 - $649,999	21,032	4.129	71.351	13,131,707,776	3.086	30.973
$650,000 - $699,999	16,282	3.197	74.547	10,987,826,290	2.582	33.556
$700,000 - $749,999	15,370	3.018	77.565	11,135,411,300	2.617	36.173
$750,000 - $799,999	13,315	2.614	80.179	10,311,562,080	2.424	38.596
$800,000 - $849,999	10,721	2.105	82.284	8,839,335,848	2.078	40.674
$850,000 - $899,999	10,579	2.077	84.361	9,250,584,391	2.174	42.848
$900,000 - $949,999	9,927	1.949	86.310	9,173,352,087	2.156	45.004
$950,000 - $999,999	8,513	1.671	87.982	8,295,373,668	1.950	46.954
$1,000,000-and greater	61,212	12.018	100.000	225,699,907,008	53.046	100.000
	509,328	100.000%		$ 425,476,980,532	100.000%	

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

[Remainder of page intentionally left blank]

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

	2020	***2021***	***2022***	***2023***	***2024***
Valuation[(1)]	$6,285	$6,091	$7,968	$5,306	$5,047
Residential[(2)]	2,930	2,743	3,690	2,520	2,010
Non-Residential[(3)]	1,187	871	1,196	380	634
Miscellaneous Residential[(4)]	129	232	365	388	405
Miscellaneous Non-Residential[(5)]	46	18	2	20	3
Number of Residential Units:					
Single family[(6)]	2,685	3,122	4,430	3,918	4,695
Multi-family[(7)]	9,171	10,898	12,324	9,271	7,057
Subtotal Residential Units	11,856	14,020	16,754	13,189	11,752
Number of Non-Residential Units[(8)]	0	512	504	81	1
Miscellaneous Residential Units[(9)]	3,017	4,664	6,320	6,272	8,062
Miscellaneous Non-Residential Units[(10)]	257	480	46	164	22
Total Units	**15,130**	**19,676**	**23,624**	**19,706**	**19,837**

(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. Figures previously reported for Fiscal Year 2022-23 were incorrect and have been corrected in this table.
(4) Valuation of permits issued for "Additions Creating New Units – Residential" and "Alterations Creating New Units – Residential." Figures previously reported for Fiscal Year 2022-23 were incorrect and have been corrected in this table.
(5) Valuation of permits issued for "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial." Figures previously reported for Fiscal Year 2022-23 were incorrect and have been corrected in this table.
(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.

[Remainder of page intentionally left blank]

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/B Bonds. The Series A/B 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/B 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/B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series A/B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series A/B 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/B 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/B Bonds, except in the event that use of the book-entry system for the Series A/B Bonds is discontinued.

To facilitate subsequent transfers, all Series A/B 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/B 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/B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series A/B 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/B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series A/B Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series A/B Bond documents. For example, Beneficial Owners of Series A/B Bonds may wish to ascertain that the nominee holding the Series A/B 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/B 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/B 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/B 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/B 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/B 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/B 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/B Bond certificates will be printed and delivered to DTC.

(This page intentionally left blank.)

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following is a brief summary of certain Provisions of the Bond Resolution not previously discussed in this Official Statement. Such summary is not intended to be definitive, and reference is made to each Bond Resolution in its entirety for the complete terms thereof Capitalized terms used in this summary which are not otherwise defined in this Official Statement have the meanings ascribed to such terms in the Bond Resolution, as applicable.

CERTAIN DEFINITIONS

"*Accountant's Certificate*" means a certificate signed by an Independent Certified Public Accountant of recognized national standing selected by the Department.

"*Accreted Value*" means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate with respect to such Capital Appreciation Obligation specified in or pursuant to the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligation on each date specified therein. The applicable Accreted Value at any date will be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, will be determined by straight-line interpolation with reference to such Accreted Value Table.

"*Accreted Value Table*" means, with respect to Capital Appreciation Obligations, the table denominated as such in, and to which reference is made in, the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligations.

"*Additional Bonds*" means Bonds issued in accordance with the terms and conditions of the Master Resolution for the purpose of providing for the payment of the Costs of Capital Improvements.

"*Additional Parity Obligations*" means Parity Obligations, including Additional Bonds, issued for the purpose of providing for the payment of the Costs of Capital Improvements and satisfying the conditions set forth in the Master Resolution.

"*Adjusted Net Income*" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations and for any Calculation Period to which such certificate relates and as calculated by the Department or a Consultant, 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, any or all of the following: (a) an allowance for any estimated increase in such Net Income from any revenue producing additions or improvements to or extensions of the Water System, made but not in service during the applicable Calculation Period or to be made with the proceeds of the Additional Parity Obligations with respect to which such certificate relates, with the proceeds of other Obligations theretofore issued by the Department and available for such purpose or with other available funds of the Department reserved by the Department for such purpose, such allowance to be in an amount equal to the estimated additional average annual Net Income to be derived from such additions, improvements and extensions during the twelve month period after placing such addition, improvement or extension in service, all as shown by a certificate of the Department or a Consultant; (b) an allowance for any increases in rates and charges which relate to the Water System and which have been approved by the Board and the City Council

but which during all or any part of the Calculation Period were not in effect, such allowance to be in an amount equal to seventy-five percent (75%) of the amount by which the Net Income for the Calculation Period would have increased if such increase in rates and charges had been in effect for that portion of the Calculation Period during which such increase was not in effect; and (c) the amount withdrawn from the Expense Stabilization Fund during such Calculation Period.

"*Applicable Parity Obligations*" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations and as of the date of such certificate, all of the Parity Obligations Outstanding on such date plus the Additional Parity Obligations proposed to be issued.

"*Assistant Auditor*" means an Assistant Auditor of the Department.

"*Auditor*" means the Auditor of the Department.

"*Authorized Denominations*" means, with respect to (a) the Series A Bonds, $5,000 or any integral multiple of thereof, and (b) the Series B Bonds, $5,000 or any integral multiple of thereof.

"*Authorized Department Representative*" means the President or Vice President of the Board, the General Manager, the Assistant General Manager — Water Services of the Department, the Auditor and each Assistant Auditor and any other officer of the Department duly authorized to act as an Authorized Department Representative for purposes of the Bond Resolution by resolution of the Board or written authorization of the General Manager.

"*Balloon Indebtedness*" means, with respect to any Series of Obligations twenty-five percent (25%) or more of the principal of which matures on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal), that portion of such Series of Obligations which matures on such date or within such 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

"*Beneficial Owner*" means, with respect any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

"*Board*" means the Board of Water and Power Commissioners of the City of Los Angeles.

"*Bond*" means any of the Department of Water and Power of the City of Los Angeles Water System Revenue Bonds authorized pursuant to the Master Resolution and a Supplemental Resolution.

"*Bond Register*" means the registration books for the ownership of Bonds maintained by the Fiscal Agent pursuant to the Master Resolution.

"*Bond Resolution*" means the Master Resolution as supplemented by the Forty-Second Supplemental Resolution and the Forty-Third Supplemental Resolution.

"*Bond Service Fund*" means the Water System Revenue Bonds Bond Service Fund established pursuant to the Master Resolution.

"*Bondowner*" or "*Owner*" means, with respect to a Bond, the registered owner of such Bond in the Bond Register.

"*Book-Entry Bonds*" means, with respect to (a) the Series A Bonds, the Series A Bonds registered in the name of DTC's nominee, as the initial Securities Depository, or any successor Securities Depository for the Series A Bonds, as the registered owner thereof, and (b) the Series B Bonds, the Series B Bonds registered in the name of DTC's nominee, as the initial Securities Depository, or any successor Securities Depository for the Series B Bonds, as the registered owner thereof.

"*Business Day*" means, unless otherwise provided with respect to a Series of Bonds in the Supplemental Resolution authorizing the issuance of such Series, any day, other than a Saturday, Sunday or other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in the State of New York or State of California or any city in which the Principal Office of any Paying Agent or any Credit Provider for such Series of Bonds is located.

"*Calculation Period*" means, with respect to any certificate to be provided pursuant to the Master Resolution in connection with Additional Parity Obligations, any twelve consecutive month period within the eighteen consecutive months ending immediately prior to the issuance of the Additional Parity Obligations to which such certificate relates.

"*Capital Appreciation Obligations*" means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations.

"*Capital Improvement*" means any addition, betterment, replacement, renewal, extension or improvement of or to the Water System, including, without limitation, the acquisition of land or any interests therein, which under Generally Accepted Accounting Principles are chargeable to a capital account and capital costs for the extension, reinforcement, enlargement or other improvement of facilities or property, or the acquisition of interests therein, whether or not included as part of the Water System, determined by the Department to be necessary or convenient in connection with the utilization of the Water System.

"*Charter*" means The Charter of The City of Los Angeles.

"*Chief Financial Officer*" means: (a) the Chief Financial Officer of the Department; and (b) in the event that at the applicable time of performance of an action under the Bond Resolution there is a vacancy in the office of Chief Financial Officer, or the Chief Financial Officer is outside the City, the Chief Accounting Employee of the Department.

"*City*" means the City of Los Angeles, a chartered city, duly organized and existing under and by virtue of the Constitution and laws of the State of California.

"*City Council*" means the Council of the City established pursuant to the Charter.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Master Resolution, the Forty-Second Supplemental Resolution and the Forty-Third Supplemental Resolution shall be deemed to include United States Treasury Regulations thereunder applicable to the Bonds issued pursuant to the Forty-Second Supplemental Resolution and the Forty-Third Supplemental Resolution or the use of proceeds thereof, and also includes all amendments and successor provisions unless the context clearly requires otherwise.

"*Commercial Paper Program*" means a program of short-term Obligations having the characteristics of commercial paper in that such Parity Obligations have a stated maturity not later than 270 days from their date of issue and that maturing Obligations of such program may be paid with the proceeds of renewal short-term Obligations.

"*Consultant*" means a consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the Department to perform acts, prepare certificates or otherwise carry out the duties provided for a Consultant in the Master Resolution or any Supplemental Resolution. Such consultant, consulting firm, engineer, architect, engineering firm or architectural firm shall be nationally recognized within its profession for work of the character required. Such accountants or accounting firm shall be Independent Certified Public Accountants licensed to practice in the State of California.

"*Cost*" means, with respect to any Capital Improvement, all costs and expenses of planning, designing, acquiring, constructing, installing and financing such Capital Improvement, placing such Capital Improvement in operation, disposal of such Capital Improvement, and obtaining governmental approvals, certificates, permits and licenses with respect thereto heretofore or hereafter paid or incurred by the Department. Payment of Cost shall include the reimbursement to the Department for any of the costs included in this definition of Cost paid by the Department which have not previously been reimbursed to the Department and which are not to be reimbursed from contributions in aid of construction. The term Cost shall include, but shall not be limited to, funds required for: (a) costs of preliminary investigation and development, the performance or acquisition of feasibility and planning studies, and the securing of regulatory approvals, as well as costs for land and land rights, engineering and contractors' fees, labor, materials, equipment, utility services and supplies, legal fees and financing expenses; (b) working capital and reserves therefor in such amounts as shall be determined by the Department; (c) interest accruing in whole or in part on Parity Obligations prior to and during construction of a Capital Improvement or any portion thereof, and for such additional period as the Department may determine; (d) the deposit or deposits from the proceeds of the Bonds in any funds or accounts which deposit or deposits are required by the Master Resolution or any Supplemental Resolution; (e) the payment of principal, premium, if any, and interest when due (whether at the maturity of principal or at the due date of interest or upon redemption or otherwise) of any note or other evidence of indebtedness the proceeds of which were applied to any of the costs of a Capital Improvement described in the Master Resolution; (f) training and testing costs which are properly allocable to the acquisition, placing in operation, or construction of a Capital Improvement; (g) all costs of insurance applicable to the period of construction and placing a Capital Improvement in operation; (h) all costs relating to injury and damage claims arising out of the acquisition or construction of a Capital Improvement less proceeds of insurance; (i) legally required or permitted federal, state and local taxes and payments in lieu of taxes applicable to the period of construction and placing a Capital Improvement in operation; (j) amounts due the United States of America as rebate of investment earnings with respect to the proceeds of Parity Obligations or as penalties in lieu thereof; (k) amounts payable with respect to capital costs for the expansion, reinforcement, enlargement or other improvement of facilities determined by Department to be necessary in connection with the utilization of a Capital Improvement and the costs associated with the removal from service or reductions in service of any facilities as a result of the expansion, reinforcement, enlargement or other improvement of such facilities or the construction of a Capital Improvement; (l) Costs of Issuance of any Parity Obligations; (m) fees and expenses pursuant to any lending or credit facility or agreement applicable to the period for construction and placing a Capital Improvement in operation; and (n) all other costs incurred by the Department and properly allocable to the acquisition, construction, or placing in operation of a Capital Improvement or any portion thereof.

"*Costs of Issuance*" means all items of expense directly or indirectly payable by or reimbursable to the Department and related to the original authorization, execution, sale and delivery of Parity Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Parity Obligations, initial fees and charges (including counsel fees) of any fiscal agent, any paying agent and any Credit Provider, legal fees and charges, financial advisor fees and expenses, fees and expenses of other consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and

safekeeping of Parity Obligations and any other cost, charge or fee in connection with the authorization, issuance, sale or original delivery of Parity Obligations.

"*Credit Provider*" means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Parity Obligations.

"*Credit Provider Bonds*" means any Bonds purchased with funds provided under a Credit Support Instrument for so long as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider in accordance with the Forty-Second Supplemental Resolution and the Forty-Third Supplemental Resolution, as applicable.

"*Credit Provider Reimbursement Obligations*" means obligations of the Department to pay from the Water Revenue Fund amounts under a Credit Support Agreement, including without limitation amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Parity Obligations and the interest with respect thereto.

"*Credit Support Agreement*" means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the Department and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Support Instrument, and the interest thereon, and includes any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document.

"*Credit Support Instrument*" means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit or liquidity support with respect to the payment of interest, principal or the Purchase Price of any Parity Obligations.

"*Crossover Date*" means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, the date on which the proceeds of the sale of such Refunding Parity Obligations are to be applied to the payment of the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of such Refunding Parity Obligations in accordance with the applicable Crossover Refunding Instructions.

"*Crossover Refunding Escrow*" means, with respect to any Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, a trust or escrow fund or account established with an Escrow Agent into which proceeds of the sale of such Series of Refunding Parity Obligations and, if necessary, other available funds have been deposited in an amount sufficient to pay when due, or to purchase bonds, notes or other evidences of indebtedness the scheduled payments of principal of and interest on which will provide moneys at the times and in amounts sufficient to pay when due, the applicable Crossover Refunding Requirements in accordance with the applicable Crossover Refunding Instructions.

"*Crossover Refunding Instructions*" means, with respect to a Series of Refunding Parity Obligations which constitute Crossover Refunding Obligations, a certificate order, escrow deposit agreement, or other direction from an Authorized Department Representative to the Escrow Agent for the applicable Crossover Refunding Escrow to apply amounts in the applicable Crossover Refunding Escrow to the payments of principal and interest scheduled to be made on the Crossover Refunding Obligations to and including the applicable Crossover Date and on such Crossover Date to apply moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded or, in

the event that the conditions to such payment or redemption contained in the Issuing Instrument authorizing the issuance of such Crossover Refunding Obligations are not satisfied, to the payment or redemption of the Crossover Refunding Obligations on the terms and conditions set forth in such Issuing Instrument.

"*Crossover Refunding Obligations*" means Refunding Parity Obligations as to which a Crossover Refunding Escrow has been established and which are payable, prior to the application of moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded, only from amounts in such Crossover Refunding Escrow.

"*Crossover Refunding Requirements*" means, with respect to a Series of Parity Refunding Obligations constituting Crossover Refunding Obligations and the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations, moneys sufficient to pay when due: (a) the scheduled principal of and interest on the Series of Parity Refunding Obligations coming due on and before the applicable Crossover Date (other than as a result of the failure to apply moneys in the applicable Crossover Refunding Escrow to the refunding of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations on the Crossover Date); (b) the principal of, premium, if any, and interest on such Refunding Parity Obligations which are payable in accordance with the applicable Crossover Refunding Instructions in the event the amounts in the applicable Crossover Refunding Escrow are not applied to the payment or redemption of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations; and (c) the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of the sale of the Refunding Parity Obligations coming due in accordance with the applicable Crossover Refunding Instructions.

"*Debt Service*" means, for any Fiscal Year, the sum of (a) the interest payable during such Fiscal Year on all Outstanding Parity Obligations, assuming that all Outstanding Serial Parity Obligations are retired as scheduled and that all Outstanding Term Parity Obligations are redeemed or paid from Sinking Fund Installment as scheduled, (b) that portion of the principal amount of all Outstanding Serial Parity Obligations maturing on each principal payment date which falls in such Fiscal Year, including the Final Compounded Amount of any Capital Appreciation Obligations which are Series Parity Obligations, (c) that portion of the principal amount of all Outstanding Term Parity Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such Fiscal Year (together with the redemption premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Parity Obligations.

"*Defeasance Securities*" means any of the following securities, if and to the extent the same are at the time any legal investments for funds of the Department: (a) any bonds or other obligations which as to principal and interest constitute direct obligations of, or obligations unconditionally guaranteed by, the United States of America, including obligations of any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America; and (b) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (i) which are rated "AAA" by Standard and Poor's, "AAA" by Fitch or "Aaa" by Moody's, (ii) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee, fiscal agent or other fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds or other obligations for redemption on the date or dates specified in such instructions, (iii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (ii) of this clause (b), as appropriate, and (iv) as to which the principal of and interest on the bonds and obligations of the

character described in clause (a) hereof which have been deposited in such fund, along with any cash on deposit in such fund, have been verified by an Accountant's Certificate as being sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (ii) of this clause (b), as appropriate.

"*Delivery Certificate*" means, with respect to a Series of Bonds or any Subseries thereof, a certificate of an Authorized Department Representative establishing certain terms and conditions for such Series or Subseries and specifying the application of the proceeds of such Series or Subseries, all as authorized by the Supplemental Resolution authorizing such Series of Bonds.

"*Electronic*" means, with respect to notice, notice through the internet or a time-sharing terminal.

"*Escrow Agent*" means the Fiscal Agent or a bank or trust company organized under the laws of any state of the United States, or a national association, appointed by the Department to hold in trust moneys set aside for either: (a) the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof, deemed paid and defeased pursuant to Article IX of the Master Resolution; or (b) the payment of the principal, premium, if any, or interest on Crossover Refunding Bonds or the Parity Obligations to be refunded with the proceeds of the sale of such Crossover Refunding Bonds.

"*Expense Stabilization Fund*" means the Water System Expense Stabilization Fund established pursuant to the Master Resolution.

"*Favorable Opinion of Bond Counsel*" means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be specified in the provisions of the Master Resolution or the Supplemental Resolution requiring such an opinion.

"*Fiduciary*" means, with respect to each Series of Bonds, the Fiscal Agent, and each Paying Agent and Escrow Agent for such Series of Bonds.

"*Final Compounded Amount*" means the Accreted Value of any Capital Appreciation Obligation on its maturity date.

"*Fiscal Agent*" means, the agent appointed by the Department pursuant to the Master Resolution to perform the duties and obligations ascribed to the Fiscal Agent with respect to each Series of Bonds pursuant to the applicable Supplemental Resolution.

"*Fiscal Year*" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the Department.

"*Fitch*" means Fitch Ratings and any successor entity rating Parity Obligations at the request of the Department.

"*Forty-Second Supplemental Resolution*" means Resolution No. 5071 of the Board, as the provisions thereof may be amended or supplemented from time to time in accordance with the terms thereof.

"*Forty-Third Supplemental Resolution*" means Resolution No. 5073 of the Board, as the provisions thereof may be amended or supplemented from time to time in accordance with the terms thereof.

"*General Manager*" means the General Manager of the Department.

"*Generally Accepted Accounting Principles*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

"*Independent Certified Public Accountant*" means any firm of certified public accountants appointed by the Department, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"*Initial Amount*" means the Accreted Value of a Capital Appreciation Obligation on its date of issuance and delivery to the original purchaser thereof.

"*Interest Account*" means the account by that name in the Bond Service Fund established pursuant to the Master Resolution.

"*Interest Payment Date*" means, with respect to (a) the Series A Bonds, January 1 and July 1 of each year, commencing January 1, 2026, and (a) the Series B Bonds, January 1 and July 1 of each year, commencing January 1, 2026.

"*Issuing Instrument*" means any resolution, indenture, trust agreement or other instrument or agreement under which Obligations are issued.

"*Maximum Annual Adjusted Debt Service*" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Master Resolution, as of any date and with respect to the Applicable Parity Obligations, 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 this definition and calculated by the Department or by a Consultant. For purposes of calculating Maximum Annual Adjusted Debt Service, the following adjustments and assumptions shall be made with respect to Debt Service on the Applicable Parity Obligations coming due in each Fiscal Year:

(a) in determining the amount of Debt Service constituting principal due in each Fiscal Year, principal payments with respect to Applicable Parity Obligations which are or upon issuance will be, part of a Commercial Paper Program, but which would not constitute Balloon Indebtedness, shall be treated as if such Applicable Parity Obligations were to be amortized with substantially level annual Debt Service payments over a term of 40 years commencing on the date the calculation of Maximum Annual Adjusted Debt Service is made;

(b) if all or any portion or portions of the Applicable Parity Obligations constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining Maximum Annual Adjusted Debt Service, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness shall be treated as if it were to be amortized with substantially level annual Debt Service payments over a term of 40 years commencing on the date which is the first anniversary of the initial issuance of such Applicable Parity Obligations;

(c) if any Outstanding Parity Obligations constitute Tax-Exempt Variable Rate Indebtedness (except to the extent clause (g) applies), the interest rate on such Parity Obligations for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Parity Obligations during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Parity Obligations shall have been Outstanding;

(d) if any Outstanding Parity Obligations constitute Variable Rate Indebtedness which is not Tax-Exempt (except to the extent clause (g) applies), the interest rate on such Parity Obligations for any period as to which such interest rate has not been established shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Maximum Annual Adjusted Debt Service is made or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Department;

(e) if the Additional Parity Obligations proposed to be issued will be Tax-Exempt Variable Rate Indebtedness (except to the extent clause (h) applies), then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average TBMA Index during the calendar quarter preceding the calendar quarter in which the calculation of Maximum Annual Adjusted Debt Service is made, or if that index is no longer published, seventy-five percent (75%) of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the Department;

(f) if the Additional Parity Obligations proposed to be issued will be Variable Rate Indebtedness which is not Tax-Exempt (except to the extent clause (h) applies) then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Department;

(g) if a Qualified Swap Agreement has been entered into in connection with any Outstanding Parity Obligations, the interest rate on such Outstanding Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged by the parties under such Qualified Swap Agreement shall be determined for purposes of calculating Maximum Annual Adjusted Debt Service by adding: (i) the amount of Debt Service paid or to be paid by the Department as interest on the Outstanding Parity Obligations during such Fiscal Year or portion thereof (determined as provided in clause (c) or (d), as applicable, if such Outstanding Parity Obligations constitute Variable Rate Indebtedness); and (ii) the net amount (which may be a negative amount) paid or to be paid by the Department under the Qualified Swap Agreement (after giving effect to payments made and received, and to be made and received, by the Department under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Outstanding Parity Obligations constituting Variable Rate Indebtedness is assumed to bear interest;

(h) if a Qualified Swap Agreement has been entered into by the Department with respect to any Additional Parity Obligations proposed to be issued, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged under the Qualified Swap Agreement shall be determined for purposes of calculating Maximum Annual Adjusted Debt service by adding: (i) the amount of Debt Service to be paid by the Department as interest on such Additional Parity Obligations during such Fiscal Year or portion

thereof (determined as provided in clause (e) or (f), as applicable, if such Additional Parity Obligations are to constitute Variable Rate Indebtedness); and (ii) the net amount (which may be a negative amount) to be paid by the Department under the Qualified Swap Agreement (after giving effect to payments to be made and received by the Department under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Additional Parity Obligations which are to constitute Variable Rate Indebtedness shall be assumed to bear interest; and

(i) if any of the Applicable Parity Obligations are, or upon issuance will be, Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations.

"*Moody's*" means Moody's Investors Service, Inc. and any successor entity rating Parity Obligations at the request of the Department.

"*Net Income*" means, for any period of time, the net income of the Water System for such period determined in accordance with Generally Accepted Accounting Principles; provided, however, that in no event shall any transfer from the Water Revenue Fund to the reserve fund of the City pursuant to Section 344 of the Charter be considered an expense of the Water System in determining such net income.

"*Nominee*" means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

"*Obligations*" means (a) obligations with respect to borrowed money and includes bonds, notes or other evidences of indebtedness, installment purchase payments under any contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from the Water Revenue Fund; (b) obligations to replenish any debt service reserve fund with respect to obligations of the Department described in clause (a) above; (c) obligations secured by or payable from any of obligations of the Department described in clause (a) above; and (d) obligations payable from the Water Revenue Fund and entered into in connection with, relating to, or otherwise serving as a hedge with respect to, an obligation described in clause (a), (b) or (c) above under (i) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices; (ii) any contract to exchange cash flows or a series of payments; or (iii) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest rate swap agreements and interest rate cap agreements; and (e) Credit Provider Reimbursement Obligations.

"*One Month USD LIBOR Rate*" means the British Banker's Association average of interbank offered rates in the London market for United States dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Department

"*Opinion of Bond Counsel*" means a written opinion signed by an attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the Department.

"*Outstanding*" when used as of any particular time with respect to Obligations, means, except as otherwise provided in the Master Resolution, all Obligations theretofore or thereupon executed, authenticated and delivered by the Department or any trustee or other fiduciary, except (a) Obligations theretofore cancelled or surrendered for cancellation; (b) Obligations paid or deemed to be paid within the

meaning of any defeasance provisions thereof; (c) Obligations in lieu of or in substitution for which other Obligations have been executed and delivered; and (d) prior to the applicable Crossover Date, Refunding Parity Obligations which are Crossover Refunding Obligations.

"*Paired Obligations*" means any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in the Issuing Instrument authorizing the issuance thereof, which are simultaneously issued (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts; and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Department for the terms of such Paired Obligations.

"*Parity Obligations*" means (a) Bonds, (b) the Prior Bonds, and (c) Obligations which are payable from the Water Revenue Fund on a parity with the payment of the Bonds and which satisfy the applicable conditions of the Master Resolution, including payments due under Qualified Swap Agreements.

"*Participants*" means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository's book-entry system as having an interest in such Bonds.

"*Paying Agent*" means, with respect to the Series A Bonds and the Series B Bonds, the City Treasurer of the City, or its agent thereof, and its successor or successors appointed in the manner provided in the Forty-Second Supplemental Resolution for the Series A Bonds and the Forty-Third Supplemental Resolution for the Series B Bonds.

"*Preceding Fiscal Year*" means the latest prior Fiscal Year with respect to which books of the Department showing Net Income of the Water System have been examined and reported upon by Independent Certified Public Accountants engaged by the Department.

"*Principal Account*" means the account by that name in the Bond Service Fund established pursuant to the Master Resolution.

"*Principal Office*" means, with respect to: (a) the Fiscal Agent, the principal office of such Fiscal Agent in Los Angeles, California, except that if a Paying Agent has been appointed as agent for the Fiscal Agent to perform certain of the Fiscal Agent's duties with respect to a Series of Bonds pursuant to the Master Resolution, references to the Principal Office of the Fiscal Agent for purposes of such duties shall refer to the Principal Office of such Paying Agent; (b) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Fiscal Agent.

"*Prior Bond Resolutions*" means the resolutions of the Board identified in Exhibit A to the Master Resolution.

"*Prior Bonds*" means the Water Works Revenue Bonds and Water Works Revenue Refunding Bonds of the Department issued pursuant to the Prior Bond Resolutions and identified in Exhibit A to the Master Resolution.

"*Qualified Swap Agreement*" means a contract or agreement, payable from the Water Revenue Fund on a parity with the payment of Parity Obligations and satisfying the conditions of the Master Resolution, intended to place Parity Obligations or the applicable investments on the interest rate, currency, cash flow or other basis desired by the Department, including, without limitation, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract,

including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Department and a counterparty.

"*Rating Agency*" means each of Fitch, Moody's or Standard & Poor's to the extent it is then providing or maintaining a rating on Parity Obligations at the request of the Department, or in the event that Fitch, Moody's or Standard & Poor's no longer maintains a rating on Parity Obligations, any other nationally recognized rating agency then providing or maintaining a rating on the Bonds at the request of the Department.

"*Rating Category*" means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"*Rating Confirmation*" means written evidence from each Rating Agency then rating Outstanding Parity Obligations at the request of the Department to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Parity Obligation will not be lowered or withdrawn solely as a result of the occurrence of such event.

"*Record Date*" means, with respect to (a) an Interest Payment Date for the Current Interest Series A Bonds, the fifteenth day of the month preceding the month in which such Interest Payment Date occurs, (b) an Interest Payment Date for the Current Interest Series B Bonds, the fifteenth day of the month preceding the month in which such Interest Payment Date occurs.

"*Redemption Fund*" means the Water System Revenue Bonds Redemption Fund established pursuant to the Master Resolution.

"*Refunding Bonds*" means Bonds issued in accordance with the terms and conditions of the Master Resolution for the purposes, and satisfying the conditions of the Master Resolution.

"*Refunding Parity Obligations*" means Parity Obligations, including Refunding Bonds, issued for the purposes, and satisfying the conditions set forth in the Master Resolution.

"*Representation Letter*" the letter or letters of representation from the Department to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Department, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

"*Reserve Fund*" means the Water System Revenue Bonds Reserve Fund established pursuant to the Master Resolution.

"*Rule 15c2-12*" means Rule 15c2-12 of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended and supplemented from time to time.

"*Securities Depository*" means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

"*Serial Obligations*" means Obligations for which no Sinking Fund Installments are established.

"*Serial Parity Obligations*" means Serial Obligations which are Parity Obligations.

"*Series*" means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

"*Sinking Fund Account*" means the account by that name in the Bond Service Fund established pursuant to the Master Resolution.

"*Sinking Fund Installment*" means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments by the Department from the Water Revenue Fund to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

"*Standard & Poor's*" means Standard & Poor's Rating Services and any successor entity rating Parity Obligations at the request of the Department.

"*State*" means the State of California.

"*Subordinated Obligation*" means any Obligation which is expressly made subordinate and junior in right of payment from the Water Revenue Fund to the payment of Parity Obligations and which complies with the provisions of the Master Resolution.

"*Subseries*" means, with respect to any Series of Bonds, a portion of the Bonds of such Series identified as a Subseries in the Supplemental Resolution authorizing such Series or the Delivery Certificate relating to such Series or Subseries, which Bonds may bear interest at a different rate or based on a different interest rate determination method or otherwise have terms and conditions which vary from other Bonds of such Series, all to the extent provided in or authorized by the Supplemental Indenture authorizing such Series of Bonds.

"*Supplemental Resolution*" means any resolution supplemental to or amendatory of the Master Resolution as theretofore in effect, adopted by the Board in accordance with the Master Resolution.

"*Surplus*" means the equity in the Water System, consisting of the retained income invested in the business and contributions in aid of construction, determined in accordance with Generally Accepted Accounting Principles.

"*Tax Certificate*" means a certificate relating to the requirements of the Code signed on behalf of the Department and delivered in connection with the issuance of Bonds.

"*Tax-Exempt*" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"*Tax-Exempt Securities*" means bonds, notes or other securities the interest on which is Tax-Exempt.

"*TBMA Index*" means The Bond Market Association Municipal Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, Tax-Exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successors, then "TBMA Index" shall mean such other reasonably comparable index selected by the Department.

"*Tender Indebtedness*" means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the Department, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Parity Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

"*Term Obligations*" means Obligations which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

"*Term Parity Obligations*" means Term Obligations which are Parity Obligations.

"*Treasurer*" means the Treasurer of the City, who is also the General Manager of the City's Office of Finance.

"*Unrealized Items*" mean, with respect to the calculation of Adjusted Net Income for any Calculation Period, any revenues or expenses recognized in accordance with Generally Accepted Accounting Principles which are due to unrealized gains or losses caused by marking assets or liabilities of the Water System to market.

"*Variable Rate Indebtedness*" means any portion of indebtedness evidenced by Parity Obligations the interest rate on which is not established at the time of incurrence of such indebtedness and has not, at some subsequent date, been established at a rate which is not subject to fluctuation or subsequent adjustment, excluding Paired Obligations.

"*Water Revenue Fund*" means the fund by that name established by the Charter.

"*Water System*" means, whether situated inside or outside of the City or 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.

MASTER RESOLUTION

Authorization of Bonds

The Master Resolution provides certain terms and conditions upon which Bonds of the Department to be designated as "Water System Revenue Bonds" may be issued from time to time as authorized by Supplemental Resolutions. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Master Resolution as supplemented by Supplemental Resolutions is not limited except as may be provided therein or as may be limited by law.

Bonds Payable From Specified Sources

The Bonds shall constitute and evidence special obligations of the Department payable as to principal, premium, if any, and interest only from the Water Revenue Fund and, with respect to any particular Series or Subseries of Bonds, from such other sources as shall be specified in the Supplemental Resolution authorizing the issuance of such Series or Subseries, and the Bonds shall not be payable out of any other fund or moneys of the Department or the City. The Purchase Price for the Bonds of any Series or Subseries shall be payable from such sources as are specified in the Supplemental Resolution authorizing the issuance of such Series or Subseries. The provisions of the Master Resolution shall not preclude the payment or redemption of Bonds, at the election of the Department, from any other legally available funds. As required by Section 609 of the Charter, the Bonds of each Series shall not constitute or evidence an indebtedness of the City, or a lien or charge on any property or the general revenues of the City but shall constitute and evidence special obligations of the Department payable only from the sources specified in the Master Resolution and the Supplemental Resolution authorizing the issuance of such Series of Bonds. Neither the faith and credit nor the taxing power of the City is or shall be pledged to the payment of the Bonds.

Bond Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds of each Series by those who shall own the same from time to time, the provisions of the Bonds of such Series, the Master Resolution and the Supplemental Resolution shall be deemed to be and shall constitute a contract between the Department and the Owners of the Bonds of such Series and such provisions shall be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction.

No Recourse on Bonds

Neither the members of the Board nor the officers or employees of the Department shall be individually liable on the Bonds or in respect of any undertakings by the Department under the Master Resolution, any Supplemental Resolution or any Bond.

Fiscal Agent

The Treasurer is appointed as the Fiscal Agent for the Bonds of each Series for the purposes of payment of principal of, premium, if any, and interest on such Bonds and for the purpose of administering all funds required to be maintained by the Fiscal Agent for the Bonds of each Series and for all other purposes the Auditor of the Department shall serve as Fiscal Agent.

In connection with the issuance of a Series of Bonds, the Supplemental Resolution authorizing the issuance of such Series may provide for the appointment of a Paying Agent to act as the agent of the Fiscal Agent for the purpose of authentication and transfer of such Series of Bonds, including maintaining that portion of the Bond Register relating to such Series of Bonds, receiving, holding and disbursing funds for the payment of the principal and Purchase Price of, premium, if any, and interest on the Bonds of such Series and performing such other functions with respect to such Series of Bonds as may be provided in the Supplemental Resolution authorizing the issuance of such Series.

General Provisions for Issuance of Bonds

All (but not less than all) the Bonds of each Series shall be executed by the Department for issuance under the Master Resolution and the appliable Supplemental Resolution and delivered to the Fiscal Agent

and thereupon shall be authenticated by the Fiscal Agent and by it delivered to the Department or upon its order, but only upon the receipt by the Fiscal Agent of the following items (upon which the Fiscal Agent may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(a) a copy of the Master Resolution, as amended to the date of the initial delivery of such Series of Bonds, and a copy of the Supplemental Resolution authorizing the issuance of such Series of Bonds, each certified by an Authorized Department Representative to be in full force and effect, which Supplemental Resolution shall specify, or provide for the specification in a Delivery Certificate of: (i) the sources of payment for the Bonds of such Series other than the Water Revenue Fund, if any; (ii) the Series designation of such Bonds; (iii) whether the Bonds of such Series are to be divided into Subseries and the manner of designating such Subseries; (iv) the authorized principal amount of the Bonds of such Series and each Subseries thereof; (v) the purposes for which such Series of Bonds are being issued, which shall be one of the purposes specified in the Master Resolution; (vi) the date or manner of determining the date of the Bonds of such Series and each Subseries thereof; (vii) the maturity date or dates of the Bonds of such Series and each Subseries thereof and the principal amount of the Bonds of such Series or Subseries maturing on each such maturity date; (viii) which, if any, of the Bonds of such Series will constitute Serial Obligations and which, if any, will constitute Term Obligations; (ix) the interest rate or rates on the Bonds of such Series and each Subseries thereof or the manner of determining such interest rate or rates; (x) the Interest Payment Dates for the Bonds of such Series and each Subseries thereof or the manner of establishing such Interest Payment Dates; (xi) the Authorized Denominations of, and the manner of numbering and lettering, the Bonds of such Series and each Subseries thereof; (xii) the redemption price or prices, if any, and, subject to the applicable provisions of the Master Resolution, the redemption terms for the Bonds of such Series and each Subseries thereof; (xiii) the Sinking Fund Installments, if any, for the Bonds of such Series and each Subseries thereof which constitute Term Obligations, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for the Bonds of such Series or Subseries; (xiv) if any of the Bonds of such Series or any Subseries thereof constitute Tender Indebtedness, the terms and conditions, including Purchase Price, for the exercise by the Owners or Beneficial Owners of such Bonds of the purchase and extension options granted with respect to such Bonds and the terms and conditions, including Purchase Price, upon which the Bonds of such Series or Subseries will be subject to mandatory tender for purchase; (xv) if the Bonds of such Series are not to be Book-Entry Bonds, a statement to such effect; (xvi) the application of the proceeds of the sale of such Series of Bonds including the amount, if any, to be deposited in the funds and accounts under the Master Resolution and the applicable Supplemental Resolution; (xvii) the forms of the Bonds of such Series and each Subseries thereof and of the certificate of authentication thereon; and (xviii) the appropriate funds and accounts, if any, relating to such Series of Bonds established under such Supplemental Resolution;

(b) the Delivery Certificate, if any, relating to such Series of Bonds or each Subseries thereof, executed on behalf of the Department by an Authorized Department Representative;

(c) an Opinion of Bond Counsel, dated the date of the initial delivery of such Series of Bonds, to the effect that the Master Resolution, as amended to such date, and the Supplemental Resolution authorizing the issuance of such Series of Bonds, as amended to such date, have been duly adopted by the Board and are in full force and effect;

(d) with respect to any Additional Bonds, the Fiscal Agent shall have received the certificate with respect to the satisfaction of the conditions for the issuance of Additional Parity Obligations contained in the Master Resolution;

(e) with respect to any Refunding Bonds which are not Crossover Refunding Obligations, the Fiscal Agent shall have received a copy of the Opinion of Bond Counsel with respect to the payment of the Parity Obligations to be refunded required by the Master Resolution or with respect to Refunding Bonds constituting Crossover Refunding Obligations, the Accountant's Certificate and Crossover Escrow Instructions required by the Master Resolution, as applicable; and

(f) such further documents, moneys and securities as are required by the applicable provisions of Master Resolution or of the Supplemental Resolution authorizing the issuance of such Series of Bonds.

After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Master Resolution and the applicable Supplemental Resolution.

Additional Bonds

One or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of paying all or a portion of the Costs of any Capital Improvement. Additional Bonds may be issued in a principal amount sufficient to pay such Costs, including making of any deposits into the funds or accounts required by the provisions of the Master Resolution and the applicable Supplemental Resolution.

Refunding Bonds

One or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of the Outstanding Parity Obligations. Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the Master Resolution and the applicable Supplemental Resolution.

Refunding Bonds of each Series shall be authenticated and delivered by the Fiscal Agent only upon receipt by the Fiscal Agent (in addition to the documents required by the Master Resolution and except as otherwise described below with respect to Crossover Refunding Obligations) of an Opinion of Bond Counsel to the effect that the Parity Obligations (or the portion thereof) to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations. Such Opinion of Bond Counsel may rely upon an Accountant's Certificate as to the sufficiency of available funds to pay such Parity Obligations. The Fiscal Agent may conclusively rely on such Opinion of Bond Counsel in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied.

A Series of Refunding Bonds which constitute Crossover Refunding Obligations shall be authenticated and delivered by the Fiscal Agent upon the receipt of the Fiscal Agent (in addition to the documents required by the Master Resolution) of: (a) an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (b) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Bonds and the Parity Obligations to be refunded.

Conditions to Issuance of Parity Obligations

Without regard to the last paragraph under this heading, the Department may at any time issue or enter into an obligation or commitment which is a Qualified Swap Agreement, provided (a) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Parity Obligations or investments held under an Issuing Instrument for Parity Obligations, in each case specified by an Authorized Department Representative; (b) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Obligation or the amount of such investments, as applicable; and (c) the Department has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement.

Without regard to the last paragraph under the heading, the Department may at any time issue Refunding Parity Obligations provided that the Fiscal Agent receives an Opinion of Bond Counsel to the effect that the Parity Obligations to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations; except that, with respect to Refunding Parity Obligations which constitute Crossover Refunding Obligations, in lieu of such Opinion of Bond Counsel, the Fiscal Agent shall have received an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due and a copy of the requested Crossover Escrow Instructions relating to such Refunding Parity Obligations and the Parity Obligations to be refunded.

Without regard to the last paragraph under this heading, the Department may enter into Credit Support Instruments or otherwise become obligated for Credit Provider Reimbursement Obligations from time to time.

The Department may, at any time and from time to time, issue any Additional Parity Obligations, provided 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 for the applicable Calculation Period, which Calculation Period shall be selected by the Department in its sole discretion, shall 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 in the foregoing, the Department and any Consultant may rely upon the books and records of the Department or any financial statements prepared by the Department which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the particular Calculation Period selected by the Department are not available.

Conditions of Issuance of Subordinated Obligations

The Department may, at any time or from time to time, issue Subordinated Obligations without satisfying the requirements relating to Prior Obligations for any purpose in connection with the Water System, including, without limitation, the financing of a part of the cost of acquisition and construction of any additions to or improvements of the Water System or the refunding of any Subordinated Obligations or Outstanding Parity Obligations (or portions thereof). Such Subordinated Obligations shall be payable out of amounts in the Water Revenue Fund as may from time to time be available therefor; provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinated Obligations.

The resolution, indenture or other instrument authorizing the issuance of Subordinated Obligations shall contain provisions (which shall be binding on all owners of such Subordinated Obligations) not more favorable to the owners of such Subordinated Obligations than the following:

(a) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the City, the Department or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the City or the Department, whether or not involving insolvency or bankruptcy, the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full of all principal and interest due on all such Parity Obligations in accordance with the provisions of the Issuing Instrument authorizing the issuance of such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive any payment from the Water Revenue Fund on account of principal (and premium, if any) or interest upon the Subordinated Obligations.

(b) In the event that any Subordinated Obligation is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of paragraph (a) above shall not be applicable), the owners of all Parity Obligations Outstanding at the time such Subordinated Obligation so becomes due and payable because of such event of default, shall be entitled to receive payment in full of all principal and interest on all such Parity Obligations before the owners of such Subordinated Obligation are entitled to receive any accelerated payment from the Water Revenue Fund of principal (and premium, if any) or interest upon such Subordinated Obligation.

(c) If any default with respect to any Outstanding Parity Obligation shall have occurred and be continuing (under circumstances when the provisions of paragraph (a) above shall not be applicable), the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full of all principal and interest on all such Parity Obligations as the same become due and payable before the owners of the Subordinated Obligations are entitled to receive, subject to the provisions of paragraph (e) below, any payment from the Water Revenue Fund of principal (and premium, if any) or interest upon the Subordinated Obligations.

(d) No Bondowner shall be prejudiced in his right to enforce subordination of the Subordinated Obligations by any act or failure to act on the part of the Department or the Fiscal Agent.

(e) The Subordinated Obligations may provide that the provisions of paragraphs (a), (b), (c) and (d) above are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding Parity Obligations on the one hand, and the owners of Subordinated Obligations on the other hand, and that nothing therein shall impair, as between the Department and the owners of the Subordinated Obligations, the obligation of the Department, which may be unconditional and absolute, to pay to the owners of such Subordinated Obligations the principal thereof and premium, if any, and interest thereon in accordance with their terms, nor shall anything therein prevent the owners of the Subordinated Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under paragraphs (a), (b), (c) and (d) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive payment from the Water Revenue Fund otherwise payable or deliverable to the owners of the Subordinated Obligations; and the Subordinated Obligations may provide that, insofar as a trustee, fiscal agent or paying agent for such Subordinated Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee, fiscal agent or paying agent of any moneys deposited with such trustee,

fiscal agent or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Obligations if such trustee, fiscal agent or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

Any Subordinated Obligations may have such rank or priority with respect to any other Subordinated Obligations as may be provided in the resolution, indenture or other instrument, authorizing the issuance or incurrence, or securing of such Subordinated Obligations and may contain such other provisions as are not in conflict with the provisions of the Master Resolution.

Credit Provider Bonds. Subject only to the provisions of the Master Resolution relating to bonds payable from specified sources, notwithstanding any other provision contained in the Master Resolution to the contrary, Bonds which are Credit Provider Bonds shall have terms and conditions, including terms of maturity, prepayment and interest rate, as shall be specified in the applicable Credit Support Agreement.

Funds and Accounts

Establishment. To ensure the payment when due and payable, whether at maturity or upon redemption, of the principal of, premium, if any, and interest on the Bonds, the Master Resolution establishes the following funds and accounts, to be maintained and applied as in the Master Resolution provided for so long as any of the 'Bonds are Outstanding: the Water System Revenue Bonds Reserve Fund to be held in the City Treasury by the Treasurer; the Water System Revenue Bonds Bond Service Fund to be held in the City Treasury by the Treasurer, comprised of an Interest Account, a Principal Account and a Sinking Fund Account; and the Water System Revenue Bonds Redemption Fund to be held in the City Treasury by the Treasurer.

In connection with the operation, maintenance, modification, renewal and expansion of the Water System, the Master Resolution establishes the Water System Expense Stabilization Fund, to be held by such bank, trust company or other depository, including the Treasurer, as the Department shall select, to be maintained and applied pursuant to the Master Resolution for so long as any Bonds remain Outstanding.

Reserve Fund. The Treasurer shall, from time to time, set aside and place in the Reserve Fund from the Water Revenue Fund, sums such that the full amount which the Treasurer is required to transfer to the Bond Service Fund and the Redemption Fund pursuant to the Master Resolution and the applicable Supplemental Resolution, shall be so set aside in the Reserve Fund, in cash, at the time such transfers are required to be made. Moneys set aside and placed in the Reserve Fund shall be separately invested and remain therein until from time to time transferred to the Fiscal Agent as provided in the Master Resolution, and shall not be used for any other purpose whatsoever except as otherwise permitted by the Master Resolution.

Bond Service Fund. (a) From sums set aside and placed in the Reserve Fund, the Treasurer shall transfer the following amounts at the following times for deposit in the following specified accounts within the Bond Service Fund: (i) for deposit in the Interest Account, on the first Business Day prior to each Interest Payment Date for any Bonds and on the first Business Day prior to each redemption date for any Bonds which is not an Interest Payment Date, an amount equal to the interest payable on the Outstanding Bonds on such Interest Payment Date, or the accrued interest to the redemption date on the Bonds to be redeemed, as applicable; provided, however, that such transfers shall be reduced by any available amounts on deposit in the Interest Account which are to be applied to such upcoming interest payment; (ii) for deposit in the Principal Account, on the first Business Day prior to each date on which the principal of Outstanding Bonds which are Serial Obligations mature, an amount equal to the principal of such Outstanding Bonds maturing on such date; provided, however, that such transfers shall be reduced by any

available amounts on deposit in the Principal Account which are to be applied to the upcoming principal payment; and (iii) for deposit in the Sinking Fund Account, on the first Business Day prior to each Sinking Fund Installment due date for Outstanding Bonds which are Term Bonds, an amount equal to the Sinking Fund Installment due on such Sinking Fund Installment due date; provided, however, that such transfers shall be reduced by any available amounts on deposit in the Sinking Fund Account which are to be applied to the redemption or payment of such Bonds on such Sinking Fund Installment due date and by the amount by which the Department's obligations to place moneys in the Reserve Fund for transfer to the Sinking Fund Account has been satisfied pursuant to paragraph (b) under this heading.

(b) In the event that Bonds for which Sinking Fund Installments have been established are purchased or redeemed at the option of the Department, such Bonds may be cancelled. If such cancelled Bonds are deposited with the Fiscal Agent for the credit of the Sinking Fund Account not less than 45 days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit will satisfy (to the extent of 100% of the principal amount thereof) any obligation of the Department to set aside and place moneys in the Reserve Fund for transfer to the Sinking Fund Account with respect to such Sinking Fund Installments, and any Bond so cancelled shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Fiscal Agent of Bonds for which Sinking Fund Installments have been established as provided in paragraph (b) under this heading, the Department may specify the dates and amounts of Sinking Fund Installments for such Bonds by which the Department's obligations to place moneys in the Reserve Fund for transfer to the Sinking Fund Account as Sinking Fund Installments for such Bonds shall be satisfied.

(c) Except as hereafter in this paragraph provided: (i) amounts deposited in the Interest Account shall remain therein until expended for the payment of interest on the Bonds; (ii) amounts deposited in the Principal Account shall remain therein until expended for the payment of principal on the Bonds which are Serial Obligations; and (iii) amounts deposited in the Sinking Fund Account shall remain therein until expended for the redemption or payment at maturity of Bonds which are Term Obligations.

In the event one or more Paying Agents have been appointed for a Series of Bonds, moneys may be transferred by the Treasurer to such Paying Agent from the appropriate account in the Bond Service Fund for deposit into a special trust account to ensure the payment when due of the principal of, premium, if any, and interest on such Bonds. In the event that any principal of or interest on any Bond has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the appropriate accounts in the Bond Service Fund with respect to such Bond, and any such amounts transferred by the Treasurer from the Bond Service Fund to a Paying Agent for such Bond pursuant to the Master Resolution, shall be paid to such Credit Provider as a reimbursement of the amounts so paid.

Redemption Fund. At least one Business Day prior to each date fixed for the redemption of Bonds other than from Sinking Fund Installments, the Treasurer shall transfer from the Reserve Fund to the Redemption Fund, an amount equal to the principal of, and any applicable redemption premium on, the Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of principal of, and premium, if any, on the Bonds to be redeemed and, except as otherwise provided in the Master Resolution, shall be used only for that purpose. Any interest on the Bonds due on or prior to the redemption date shall be paid from the Interest Account in the Bond Service Fund. In the event one or more Paying Agents have been appointed for Bonds which are to be redeemed with moneys in the Redemption Fund, amounts in the Redemption Fund may be transferred from such Fund by the Treasurer to a Paying Agent for the Bonds to be redeemed for deposit into a special trust account held by such Paying Agent to ensure the payment when due the principal of and premium, if any, on the Bonds to be redeemed. In the event that the principal of or any premium on a Bond due upon the redemption thereof has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the Redemption Fund with respect to such principal and premium, and any such amounts transferred by the

Treasurer from the Redemption Fund to a Paying Agent for such Bonds pursuant to the Master Resolution, shall be paid to such Credit Provider as a reimbursement of the amounts so paid. If, after all of the Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the Water Revenue Fund; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys shall be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

Expense Stabilization Fund. Moneys shall be deposited in the Expense Stabilization Fund in such amounts, at such times and from such sources as shall be determined by the Department in its sole discretion. Moneys on deposit in the Expense Stabilization Fund may be withdrawn at any time upon the order of the Auditor or Assistant Auditor 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 of the Water System, payment of Debt Service on Parity Obligations, payments of principal, premium or interest on Subordinated Obligations, payment of Costs of Capital Improvements, payment of the Costs of Issuance of Parity Obligations or payment of the costs of issuance of Subordinated Obligations.

Moneys Held for Certain Bonds. Moneys held by the Treasurer in the Bond Service Fund and the Redemption Fund, and moneys transferred by the Treasurer to any Paying Agent for Bonds from the Bond Service Fund or the Redemption Fund, in each case for the payment of the interest, principal or redemption premium due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust without liability for further interest thereon for the Owners entitled thereto.

Investments. Moneys held in the Reserve Fund, the Bond Service Fund, the Redemption Fund and the Expense Stabilization Fund may, subject to the Tax Certificates, be invested and reinvested to the fullest extent practicable in any investment in which the City can legally invest its funds, which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. Any investment earnings on moneys on deposit in the Reserve Fund, the Bond Service Fund, the Redemption Fund and the Expense Stabilization Fund shall be deposited in such respective Funds and be used in the same manner as other amounts on deposit in such Funds.

Covenants

No Priority. The Department shall not issue any Obligation the payments from the Water Revenue Fund with respect to which from the Water Revenue Fund are senior or prior in right to the payment from the Water Revenue Fund of the Bonds.

Sale of Water System. The Water System shall not be sold or otherwise disposed of, as a whole or substantially as a whole, unless such sale or other disposition be so arranged as to provide for a continuance of payments into the Water Revenue Fund sufficient in amount to permit payment therefrom when due, at maturity or upon redemption, of the principal of, premiums, if any, and interest on all Outstanding Bonds, or to provide for a continuance of payments sufficient for such purposes into some other fund charged with the payment of such principal, interest and premiums.

Restrictions on Transfers. No transfers out of the Water Revenue Fund under the provisions of Section 344 of the Charter shall be made in any Fiscal Year: (a) in excess of the Net Income of the Water System, after depreciation, amortization and interest chargeable to income account, as shown by the books of the Department for the Preceding Fiscal Year; or (b) which would result in the amount of the Surplus derived from the operation of the Water System as shown by the books of the Department as of the end of the Preceding Fiscal Year, less the aggregate of all such transfers which have been made since the close of the Preceding Fiscal Year and of all such transfers not then made, but to the making of which the consent

of the Board has been given, being less than thirty-three and one-third percent (33-1/3%) of the total indebtedness, including current liabilities, payable out of the Water Revenue Fund and outstanding as of the date not more than ten days prior to the date of such transfer.

Audits. The Department will cause the books and accounts of the Water System, including the Water Revenue Fund, to be audited annually by Independent Certified Public Accountants and will make available for inspection by the Owners of the Outstanding Bonds, at the Principal Office of the Fiscal Agent, a copy of the report of such accountants and will also furnish a copy thereof, upon request, to any Owner of an Outstanding Bond.

Payments From Water Revenue Fund. All revenues from every source collected by the Department in connection with its possession, management and control of the Water System will be deposited in the City Treasury to the credit of the Water Revenue Fund. From amounts in the Water Revenue Fund, the Department will pay, without priority: (a) the costs and expenses of operating and maintaining the Water System; (b) the principal, redemption premium, if any, and interest on the Outstanding Bonds and other Parity Obligations; and (c) all other obligations payable from the Water Revenue Fund which are not, by their terms, Subordinated Obligations.

Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds which are Tax-Exempt Securities, the Department covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of this covenant, the Department agrees to comply with the covenants contained in each of the Tax Certificates. The Fiscal Agent shall comply with any instructions received from the Department in order to comply with the Tax Certificates.

Punctual Payment. The Department will punctually pay or cause to be paid the principal and interest to become due on the Outstanding Parity Obligations in strict conformity with the terms of the applicable Issuing Instrument, and will faithfully observe and perform all of the conditions, covenants and requirements of the Outstanding Parity Obligations and the applicable Issuing Instruments.

Against Encumbrances. The Department will not create, or permit the creation of, any mortgage, pledge, encumbrance or lien upon the Water System or any property essential to the proper operation of the Water System or to the maintenance of the Water Revenue Fund.

Maintenance and Operation of the Water System. The Department will cause the Water System to be maintained in good repair, working order and condition at all times, and will continuously operate the Water System in an efficient and economical manner, and so that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be compiled with, but the Department shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith or the failure to comply will not have a material adverse effect on the operation or financial condition of the Water System. The Department further covenants and agrees that it will at all times maintain and comply with all necessary permits and licenses issued by governmental authorities having jurisdiction unless the lawful requirement thereof is being contested in good faith or the failure to comply will not have a material adverse effect on the operation or financial condition of the Water System.

Payment of Taxes and Claims. The Department will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Water System or upon the Water Revenue Fund when the same shall become due (except to the extent such charges may be contested in good faith), as well as any lawful claim for labor, materials or supplies which, if unpaid, might by law become a lien or charge upon the Water Revenue Fund or the Water System.

Amendments to Master Resolution

The provisions of the Master Resolution may be modified, amended or supplemented from time to time and at any time when the written consent of each Credit Provider whose consent is required by a Supplemental Resolution or Credit Support Agreement and of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, shall have been filed with the Fiscal Agent; or if less than all of the Outstanding Bonds are affected the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Bonds of any particular Series, Subseries and maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions described below with respect to Tender Indebtedness are satisfied, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any such calculation of Outstanding Bonds. No such modification, amendment or supplement shall (a) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; or (b) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary; or (c) modify the rights of the Holders of the Outstanding Corresponding Prior Bonds described in the next paragraph without the written consent of the Holders of at least sixty percent (60%) of the aggregate principal amount of each issue of the Outstanding Prior Bonds which would be affected by such modification.

In the event any Supplemental Resolution would amend, modify or supplement any of the covenants contained in the Master Resolution and such amendment, modification or supplement will result in an amendment, modification or supplement of any Corresponding Prior Bond Resolution for Outstanding Corresponding Prior Bonds, then such Supplemental Resolution may be adopted by the Board only when the written consent of each Credit Provider whose consent is required by a Supplemental Resolution or Credit Support Agreement and of the Owners and/or Holders of at least a majority in combined aggregate principal amount of the then Outstanding Bonds and Corresponding Prior Bonds shall have been filed with the Fiscal Agent or, if less than all of the then Outstanding Bonds or Outstanding Corresponding Prior Bonds are affected, the written consent of the Owners and/or Holders of at least a majority in combined aggregate principal amount of all affected Outstanding Bonds and Outstanding Corresponding Prior Bonds; provided that if such modification or amendment shall, by its terms, not take effect so long as any Bonds of any particular Series, Subseries and maturity or Outstanding Corresponding Prior Bonds of any issue and maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions described in the next paragraph are satisfied, the consent of the Owners of such Bonds and the Holders of such Outstanding Corresponding Prior Bonds shall not be required and such Bonds and such Corresponding Prior Bonds shall not be deemed to be Outstanding for the purpose of any such calculation of Outstanding Bonds and Corresponding Prior Bonds.

Notwithstanding anything to the contrary under this heading, the provisions of the Master Resolution may also be modified, amended or supplemented by a Supplemental Resolution or Supplemental Resolutions, including amendments which would otherwise be described in the first paragraph under this heading, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (i) the effective date of such Supplemental Resolution is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Supplemental Resolution; or (ii) the notice provided in the Master Resolution is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Resolution, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Supplemental Resolution.

For purposes of the foregoing, it shall not be necessary that consents with respect to any particular percentage of Outstanding Bonds or Outstanding Corresponding Prior Bonds be obtained but it shall be

sufficient for such purposes if consent of the Owners and/or Holders of a majority in aggregate principal amount of the combination of Outstanding Bonds and Outstanding Corresponding Prior Bonds (or the affected Outstanding Bonds and Corresponding Prior Bonds) shall be obtained.

Prior to the adoption of any Supplemental Resolution requiring Bondowner consent, the Department shall cause notice of the proposed adoption of such Supplemental Resolution to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Bonds (or the affected Outstanding Bonds) at their addresses appearing on the Bond Register and to the Holders of all Outstanding Corresponding Prior Bonds (or the affected Outstanding Corresponding Prior Bonds). Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the office of the Fiscal Agent for inspection by each Owner of an Outstanding Bond and to each Holder of an Outstanding Corresponding Prior Bond.

The Master Resolution may be supplemented, without the consent of any Owner of Bonds, to provide for the issuance of a Series of Additional Bonds or a Series of Refunding Bonds in accordance with the terms and conditions of the Master Resolution, and establishing the terms and conditions thereof, including the rights of any Credit Provider for such Additional Bonds or Refunding Bonds, which may include permitting such Credit Provider to act for and on behalf of the Owners of such Additional Bonds or Refunding Bonds for any or all purposes of the Master Resolution and the applicable Supplemental Resolution except that no such Credit Provider shall be authorized to extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest thereon or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or except as otherwise provided with respect to a Bond constituting Tender Indebtedness in the Supplemental Resolution authorizing such Bond and subject to the satisfaction of the conditions of the Master Resolution, reduce any redemption premium due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption.

The Master Resolution and the rights and obligations of the Department, the Fiduciaries and the Owners of the Outstanding Bonds may also be modified, amended or supplemented in any respect with the consent of each Credit Provider whose consent is required by a Supplemental Resolution or a Credit Support Agreement but without the consent of any Owners of Bonds (but with the consent of any affected Fiduciary), so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Outstanding Bonds.

Notwithstanding anything to the contrary in the Master Resolution, the provisions of the Master Resolution may also be modified, amended or supplemented, including amendments which would otherwise require Bondowner consent, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (A) the effective date of such modification or amendment is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Master Resolution and the applicable Supplemental Resolution; or (B) the notice provided in the Master Resolution is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Resolution, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Master Resolution and the applicable Supplemental Resolution.

If the Supplemental Resolution authorizing the issuance of a Series of Bonds provides that a Credit Provider for all or any portion of the Bonds of such Series shall have the right to consent to Supplemental Resolutions which require Bondowner consent, then for the purposes of sending notice of any proposed Supplemental Resolution and for determining whether the Owners of the requisite percentage of Bonds have consented to such Supplemental Resolution, but references to the Owners of such Bonds shall be deemed to be to the applicable Credit Provider.

Upon the adoption of any Supplemental Resolution pursuant to the applicable provisions of the Master Resolution, the Master Resolution shall be deemed to be modified, amended and supplemented in accordance therewith, and the respective rights, duties and obligations under the Master Resolution of the Department, the Fiduciaries and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Resolution shall be deemed to be part of the terms and conditions of the Master Resolution for any and all purposes.

For purposes of modifications, amendments and supplements to the Master Resolution, Bonds owned or held by or for the account of the Department, the City, or any funds of the Department or the City, shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds, and neither the Department nor the City shall be entitled with respect to such Bonds to give any consent or take any other action provided for in the Master Resolution with respect to Bondowner consent.

Notwithstanding anything to the contrary described under this heading, if authorized by the Supplemental Resolution authorizing the issuance of a Bond constituting Tender Indebtedness, any premium due on the redemption of such Bond and the date or dates when such Bond is subject to redemption may be modified, amended or supplemented as provided in such Supplemental Resolution if either: (1) the effective date of such modification or amendment is a date on which such Bond is subject to mandatory tender for purchase pursuant to such Supplemental Resolution; or (2) notice of such modification or amendment has been mailed to the Owner of such Bond at the address set forth in the Bond Register at least thirty (30) days before the effective date of such modification or amendment and on or before such effective date, the Owner of such Bond has the right to demand purchase of such Bond pursuant to such Supplemental Resolution.

Defeasance

Bonds (or portions of Bonds), or interest installments on Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent (through deposit pursuant to a Supplemental Resolution of funds for such payment or redemption or otherwise) at the maturity, redemption date, or interest payment date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in the Master Resolution. Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to the Master Resolution shall be in an Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Master Resolution (except that the obligations under the applicable Bond Resolution with respect to the payment of the principal amount of, and any redemption premiums on, and the interest on the Bonds from the sources provided, to the transfer and exchange of Bonds and to the giving of the notices of the redemption of Bonds to be redeemed as provided in the Master Resolution shall continue) if (a) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Department shall have given the Fiscal Agent irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in the Master Resolution; (b) there shall have been deposited with an Escrow Agent either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which when due shall provide moneys which, together with the moneys, if any, deposited with such Escrow Agent at the same time, shall be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be; and (c) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by clause (b) above, the Department shall have given the Fiscal Agent, in form satisfactory to it, instructions to mail, as soon as

practicable, by first class mail, postage prepaid, to the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by clause (b) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with the Master Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (c) of this paragraph with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series, Subseries and maturity shall specify the letter and number or other distinguishing mark of each such Bond.

Any notice given pursuant to clause (c) of the preceding paragraph with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid and notify the Owner of such Bond that such Bond must be surrendered as provided in the Master Resolution. The receipt of any notice required by the Master Resolution in connection with the defeasance of Bonds shall not be a condition precedent to any Bond being deemed paid in accordance with the applicable Bond Resolution and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds.

Neither Defeasance Securities nor moneys deposited with an Escrow Agent for the payment of Bonds or the interest thereon, nor principal or interest payments on any such Defeasance Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Defeasance Securities deposited with an Escrow Agent, (i) to the extent such cash shall not be required at any time for such payment, as evidenced by an Accountant's Certificate, shall be paid over upon the written direction of an Authorized Department Representative, free and clear of any trust, lien, pledge or assignment securing said Bonds, and (ii) to the extent such cash shall be required for such payment at a later date, shall, to the extent practicable, at the written direction of an Authorized Department Representative, be reinvested in Defeasance Securities maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds and the interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, as evidenced by an Accountant's Certificate.

Nothing in the Master Resolution shall prevent the Department from substituting for the Defeasance Securities held for the payment or redemption of Bonds (or portions thereof) other Defeasance Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant's Certificate, shall be sufficient to pay when due the principal of, and any redemption premiums and the interest on, the Bonds (or portions thereof) to be paid or redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established with the initial deposit of Defeasance Securities for such purpose provided that the Department shall deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

If there shall be deemed paid pursuant to the Master Resolution less than all of the full principal amount of a Bond, the Department shall execute and the Fiscal Agent shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid pursuant to the Master Resolution and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, Subseries, maturity and other terms, and in any of the Authorized Denominations.

Upon the deposit with an Escrow Agent, in trust, at or before maturity or the applicable redemption date, of money or Defeasance Securities in the necessary amount to pay or redeem Outstanding Bonds (or portions thereof), and to pay the interest thereto to such maturity or redemption date, as applicable (provided

that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Master Resolution or provision satisfactory to the Fiscal Agent shall have been made for giving such notice), all liability of the Department in respect of such Bonds shall cease, terminate and be completely discharged, except that the Department shall remain liable for such payment but only from, and the Bondowners shall thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date, as applicable) out of, the money and Defeasance Securities deposited with the Escrow Agent as aforesaid for their payment; provided that no Bond which constitutes Tender Indebtedness shall be deemed to be paid within the meaning of the applicable Bond Resolution unless the Purchase Price of such Bond, if tendered for purchase in accordance with the applicable Bond Resolution, could be paid when due from such moneys or Defeasance Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument provided in connection with the Purchase Price.

Credit Providers

Except as limited by the Master Resolution, a Supplemental Resolution authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under the Master Resolution or the Supplemental Resolution authorizing the issuance of such Series of Bonds given to the Owners of the Bonds to which such Credit Support Instrument relates.

Unclaimed Moneys

Anything in the Master Resolution or any Supplemental Resolution to the contrary notwithstanding, any moneys held by the Fiscal Agent, an Escrow Agent or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates, tender for purchase or by call for redemption, if such moneys were held by the Fiscal Agent, an Escrow Agent or a Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Fiscal Agent, an Escrow Agent or a Paying Agent after the date when such Bonds or the Purchase Price thereof became due and payable, shall, at the written request of an Authorized Department Representative be repaid by such Fiscal Agent, Escrow Agent or Paying Agent to the Department, as its absolute property and free and clear of any trust, lien, pledge or assignment securing said Bonds, and such Fiscal Agent, Escrow Agent or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the Department for the payment of such Bonds; provided, however, that before being required to make any such payment to the Department, the Fiscal Agent, the Escrow Agent or the Paying Agent, as applicable, shall, at the expense of the Department, mail, postage prepaid, to the Owners of such Bonds, at the last address, if any, appearing upon the Bond Register, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Department.

FORTY-SECOND SUPPLEMENTAL RESOLUTION

References to Auditor

Whenever in the Master Resolution reference is made to the Auditor, such references are deemed to refer to the Chief Financial Officer.

Amendments Permitted

The provisions of the Forty-Second Supplemental Resolution, and the rights and obligations of the Department and of the Owners of the Outstanding Series A Bonds and of the Fiduciaries for the Series A Bonds, may be modified, amended or supplemented from time to time and at any time by a Supplemental Resolution or Supplemental Resolutions when the written consent of each Credit Provider which has issued a Credit Support Instrument then securing all or any portion of the Series A Bonds, if required by the applicable Credit Support Instrument and with the requirement for such consent being subject to the provisions of the Master Resolution, and when the written consent of the Owners of at least a majority in aggregate principal amount of the Series A Bonds then Outstanding shall have been filed with the Fiscal Agent, or if less than all of the Outstanding Series A Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Series A Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Series A Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Series A Bonds shall not be required and such Series A Bonds shall not be deemed to be Outstanding for the purpose of any such calculation of Series A Bonds Outstanding for purposes of the Forty-Second Supplemental Resolution. No such modification, amendment or supplement shall (a) extend the fixed maturity of any Series A Bond, or reduce the principal amount thereof or any redemption premium thereon, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest thereon or extend the time of payment of interest thereon, without the consent of the Owner of each Series A Bond so affected; or (b) reduce the aforesaid percentage of Series A Bonds, the consent of the Owners of which is required to effect any such modification, amendment or supplement, without the consent of the Owners of all of the Series A Bonds then Outstanding; or (c) modify the rights or obligations of any Fiduciary for the Series A Bonds without the consent of such Fiduciary.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Resolution, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the adoption of any Supplemental Resolution for any of the purposes of this subsection, the Department shall cause notice of the proposed adoption of such Supplemental Resolution to be mailed, by first class mail, postage prepaid, or provided electronically to the Owners of all Outstanding Series A Bonds (or, if less than all of the Outstanding Series A Bonds are affected, the affected Outstanding Series A Bonds) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the Principal Office of the Fiscal Agent for inspection by each Owner of an Outstanding Series A Bond.

Whenever, at any time after the date of the mailing of the notice of the proposed adoption of a Supplemental Resolution, the Department shall have received an instrument or instruments in writing executed in accordance with the Master Resolution by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Series A Bonds then Outstanding, or if less than all of the Outstanding Series A Bonds are affected, the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Series A Bonds, which instrument or instruments shall refer to the proposed Supplemental Resolution described in the notice of the proposed adoption of such Supplemental Resolution and shall consent to the adoption thereof in substantially the form referred to in such notice, the Board may, subject to the provisions of the Master Resolution, with the consent of each Credit Provider which has issued a Credit Support Instrument then securing all or any portion of the Series A Bonds, adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Owner of any Series A Bond, whether or not such Owner shall have consented thereto.

The Forty-Second Supplemental Resolution and the rights and obligations of the Department, the Fiduciaries for the Series A Bonds and the Owners of the Outstanding Series A Bonds may also be modified,

amended or supplemented from time to time and at any time by a Supplemental Resolution or Supplemental Resolutions, which the Board may adopt without the consent of any Owners of Series A Bonds (but, subject to the provisions of the Master Resolution, with the consent of each Credit Provider which has issued a Credit Support Instrument then securing all or any portion of the Series A Bonds, if required by the applicable Credit Support Instrument, and with the consent of any affected Fiduciary), so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Series A Bonds, for any one or more of the following additional purposes:

(a) to add to the covenants and agreements of the Department contained in the Forty-Second Supplemental Resolution other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Series A Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Department;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Forty-Second Supplemental Resolution, or in regard to matters or questions arising under the Forty-Second Supplemental Resolution, as the Department may deem necessary or desirable;

(c) to modify, amend or supplement the Forty-Second Supplemental Resolution in such manner as to permit the qualification of the Master Resolution or hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(d) to modify, amend or supplement the Forty-Second Supplemental Resolution in any other respect.

Effect of Supplemental Resolution

Upon the adoption of any Supplemental Resolution amending, modifying or supplementing the provisions of the Forty-Second Supplemental Resolution: (a) the Forty-Second Supplemental Resolution shall be deemed to be modified, amended and supplemented in accordance therewith, and the respective rights, duties and obligations under the Forty-Second Supplemental Resolution of the Department, the Fiduciaries for the Series A Bonds and all Owners of Outstanding Series A Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification and amendment; (b) all the terms and conditions of any such Supplemental Resolution shall be deemed to be part of the terms and conditions of the Forty-Second Supplemental Resolution for any and all purposes; and (c) no Owner of any Series A Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Board from adopting the same or the Department from taking any action pursuant to the provisions thereof.

For purposes of obtaining consents to amendments to the Forty-Second Supplemental Resolution, Series A Bonds owned or held by or for the account of the Department, the City, or any funds of the Department or the City, shall not be deemed Outstanding.

FORTY-THIRD SUPPLEMENTAL RESOLUTION

References to Auditor

Whenever in the Master Resolution reference is made to the Auditor, such references are deemed to refer to the Chief Financial Officer.

Amendments Permitted

The provisions of the Forty-Third Supplemental Resolution, and the rights and obligations of the Department and of the Owners of the Outstanding Series B Bonds and of the Fiduciaries for the Series B Bonds, may be modified, amended or supplemented from time to time and at any time by a Supplemental Resolution or Supplemental Resolutions when the written consent of each Credit Provider which has issued a Credit Support Instrument then securing all or any portion of the Series B Bonds, if required by the applicable Credit Support Instrument and with the requirement for such consent being subject to the provisions of the Master Resolution, and when the written consent of the Owners of at least a majority in aggregate principal amount of the Series B Bonds then Outstanding shall have been filed with the Fiscal Agent, or if less than all of the Outstanding Series B Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Series B Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Series B Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Series B Bonds shall not be required and such Series B Bonds shall not be deemed to be Outstanding for the purpose of any such calculation of Series B Bonds Outstanding for purposes of the Forty-Third Supplemental Resolution. No such modification, amendment or supplement shall (a) extend the fixed maturity of any Series B Bond, or reduce the principal amount thereof or any redemption premium thereon, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest thereon or extend the time of payment of interest thereon, without the consent of the Owner of each Series B Bond so affected; or (b) reduce the aforesaid percentage of Series B Bonds, the consent of the Owners of which is required to effect any such modification, amendment or supplement, without the consent of the Owners of all of the Series B Bonds then Outstanding; or (c) modify the rights or obligations of any Fiduciary for the Series B Bonds without the consent of such Fiduciary.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Resolution, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the adoption of any Supplemental Resolution for any of the purposes of this subsection, the Department shall cause notice of the proposed adoption of such Supplemental Resolution to be mailed, by first class mail, postage prepaid, or provided electronically to the Owners of all Outstanding Series B Bonds (or, if less than all of the Outstanding Series B Bonds are affected, the affected Outstanding Series B Bonds) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the Principal Office of the Fiscal Agent for inspection by each Owner of an Outstanding Series B Bond.

Whenever, at any time after the date of the mailing of the notice of the proposed adoption of a Supplemental Resolution, the Department shall have received an instrument or instruments in writing executed in accordance with the Master Resolution by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Series B Bonds then Outstanding, or if less than all of the Outstanding Series B Bonds are affected, the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Series B Bonds, which instrument or instruments shall refer to the proposed Supplemental Resolution described in the notice of the proposed adoption of such Supplemental Resolution and shall consent to the adoption thereof in substantially the form referred to in such notice, the Board may,

subject to the provisions of the Master Resolution, with the consent of each Credit Provider which has issued a Credit Support Instrument then securing all or any portion of the Series B Bonds, adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Owner of any Series B Bond, whether or not such Owner shall have consented thereto.

The Forty-Third Supplemental Resolution and the rights and obligations of the Department, the Fiduciaries for the Series B Bonds and the Owners of the Outstanding Series B Bonds may also be modified, amended or supplemented from time to time and at any time by a Supplemental Resolution or Supplemental Resolutions, which the Board may adopt without the consent of any Owners of Series B Bonds (but, subject to the provisions of the Master Resolution, with the consent of each Credit Provider which has issued a Credit Support Instrument then securing all or any portion of the Series B Bonds, if required by the applicable Credit Support Instrument, and with the consent of any affected Fiduciary), so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Series B Bonds, for any one or more of the following additional purposes:

(a) to add to the covenants and agreements of the Department contained in the Forty-Third Supplemental Resolution other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Series B Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Department;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Forty-Third Supplemental Resolution, or in regard to matters or questions arising under the Forty-Third Supplemental Resolution, as the Department may deem necessary or desirable;

(c) to modify, amend or supplement the Forty-Third Supplemental Resolution in such manner as to permit the qualification of the Master Resolution or hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(d) to modify, amend or supplement the Forty-Third Supplemental Resolution in any other respect.

Effect of Supplemental Resolution

Upon the adoption of any Supplemental Resolution amending, modifying or supplementing the provisions of the Forty-Third Supplemental Resolution: (a) the Forty-Third Supplemental Resolution shall be deemed to be modified, amended and supplemented in accordance therewith, and the respective rights, duties and obligations under the Forty-Third Supplemental Resolution of the Department, the Fiduciaries for the Series B Bonds and all Owners of Outstanding Series B Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification and amendment; (b) all the terms and conditions of any such Supplemental Resolution shall be deemed to be part of the terms and conditions of the Forty-Third Supplemental Resolution for any and all purposes; and (c) no Owner of any Series B Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Board from adopting the same or the Department from taking any action pursuant to the provisions thereof.

For purposes of obtaining consents to amendments to the Forty-Third Supplemental Resolution, Series B Bonds owned or held by or for the account of the Department, the City, or any funds of the Department or the City, shall not be deemed Outstanding.

APPENDIX E

FORM OF BOND COUNSEL'S OPINIONS

September 2, 2025

Department of Water and Power
of the City of Los Angeles
Board of Water and Power Commissioners
of the City of Los Angeles
Los Angeles, California

$_____
Department of Water and Power of the City of Los Angeles
Water System Revenue Bonds
2025 Series A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Department of Water and Power of the City of Los Angeles (the "Department"), in connection with the Department's issuance and sale of $_____ aggregate principal amount of its Department of Water and Power of the City of Los Angeles Water System Revenue Bonds, 2025 Series A (the "Series A Bonds"). The Series A Bonds are being issued under the terms of the Charter of the City of Los Angeles (the "Charter") and pursuant to Resolution No. 4591, adopted by the Board of Water and Power Commissioners of the City of Los Angeles (the "Board") on February 6, 2001 (the "Master Resolution"), as supplemented by Resolution No. 5071, adopted by the Board on July 8, 2025 (the "Forty-Second Supplemental Resolution," and together with the Master Resolution, the "Bond Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bond Resolution.

In connection with the issuance of the Series A Bonds, we have examined: (a) the Charter; (b) certified copies of the Master Resolution and the Forty-Second Supplemental Resolution; (c) an executed copy of the Tax Certificate, dated the date hereof, relating to the Series A Bonds and other matters (the "Tax Certificate"); (d) certifications of the Department, BofA Securities, Inc., as representative of the underwriters of the Series A Bonds (the "Underwriters"), the City Administrative Officer of the City of Los Angeles, the City Clerk of the City of Los Angeles, and others; (e) opinions of the City Attorney and counsel to the Underwriters; and (f) such other documents as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the Department, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the Department, the security provided therefor, as contained in the Series A Bonds and the

Bond Resolution, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against charter cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series A Bonds or the Bond Resolution. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated August __, 2025, or any other offering material relating to the Series A Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series A Bonds have been duly authorized and all legal conditions precedent to the issuance and delivery of the Series A Bonds have been fulfilled.

2. The Series A Bonds constitute the valid and binding 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 do not constitute or evidence an indebtedness of the City and are not secured by any lien, security interest or other charge on any property of the City or the Department nor on the Water Revenue Fund, the revenues of the Water System, or 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

3. The Bond Resolution has been duly adopted by the Board and constitutes the valid and binding obligation of the Department enforceable against the Department in accordance with its terms.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series A Bonds is excluded from gross income for federal income tax purposes. Interest on the Series A Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Series A Bonds may affect the federal alternative minimum tax imposed on certain corporations.

5. Under existing laws, interest on the Series A Bonds are exempt from present State of California personal income taxes.

The opinions set forth in numbered paragraph 4 above regarding the exclusion of interest from gross income of the recipient is subject to continuing compliance by the Department with covenants regarding federal tax law contained in the Bond Resolution and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series A Bonds to be included in gross income retroactive to the date of issue of the Series A Bonds. Although we are of the opinion that interest on the Series A Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Series A Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

September 23, 2025

Department of Water and Power
of the City of Los Angeles
Board of Water and Power Commissioners
of the City of Los Angeles
Los Angeles, California

$_____
Department of Water and Power of the City of Los Angeles
Water System Revenue Bonds
2025 Series B

Ladies and Gentlemen:

We have acted as Bond Counsel to the Department of Water and Power of the City of Los Angeles (the "Department"), in connection with the Department's issuance and sale of $_____ aggregate principal amount of its Department of Water and Power of the City of Los Angeles Water System Revenue Bonds, 2025 Series B (the "Series B Bonds"). The Series B Bonds are being issued under the terms of the Charter of the City of Los Angeles (the "Charter") and pursuant to Resolution No. 4591, adopted by the Board of Water and Power Commissioners of the City of Los Angeles (the "Board") on February 6, 2001 (the "Master Resolution"), as supplemented by Resolution No. 5073, adopted by the Board on July 8, 2025 (the "Forty-Third Supplemental Resolution," and together with the Master Resolution, the "Bond Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bond Resolution.

In connection with the issuance of the Series B Bonds, we have examined: (a) the Charter; (b) certified copies of the Master Resolution and the Forty-Third Supplemental Resolution; (c) an executed copy of the Tax Certificate, dated the date hereof, relating to the Series B Bonds and other matters (the "Tax Certificate"); (d) certifications of the Department, BofA Securities, Inc., as representative of the underwriters of the Series B Bonds (the "Underwriters"), the City Administrative Officer of the City of Los Angeles, the City Clerk of the City of Los Angeles, and others; (e) opinions of the City Attorney and counsel to the Underwriters; and (f) such other documents as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the Department, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the Department, the security provided therefor, as contained in the Series B Bonds and the Bond Resolution, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against charter cities in the State of California. We express no opinion with respect to any indemnification,

contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series B Bonds or the Bond Resolution. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated September __, 2025, or any other offering material relating to the Series B Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series B Bonds have been duly authorized and all legal conditions precedent to the issuance and delivery of the Series B Bonds have been fulfilled.

2. The Series B Bonds constitute the valid and binding 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 B Bonds do not constitute or evidence an indebtedness of the City and are not secured by any lien, security interest or other charge on any property of the City or the Department nor on the Water Revenue Fund, the revenues of the Water System, or 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 B Bonds

3. The Bond Resolution has been duly adopted by the Board and constitutes the valid and binding obligation of the Department enforceable against the Department in accordance with its terms.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series B Bonds is excluded from gross income for federal income tax purposes. Interest on the Series B Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Series B Bonds may affect the federal alternative minimum tax imposed on certain corporations.

5. Under existing laws, interest on the Series B Bonds are exempt from present State of California personal income taxes.

The opinions set forth in numbered paragraph 4 above regarding the exclusion of interest from gross income of the recipient is subject to continuing compliance by the Department with covenants regarding federal tax law contained in the Bond Resolution and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series B Bonds to be included in gross income retroactive to the date of issue of the Series B Bonds. Although we are of the opinion that interest on the Series B Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series B Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Series B Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

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 $_____ aggregate principal amount of the Department's Water System Revenue Bonds, 2025 Series A] [$_____ aggregate principal amount of the Department's Water System Revenue Bonds, 2025 Series B] (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. 5071 adopted by the Board on July 8, 2025 (the "Forty-Second Supplemental Resolution")] [Resolution No. 5073 adopted by the Board on July 8, 2025 (the "Forty-Third Supplemental Resolution")]. The Master Resolution and the [Forty-Second][Forty-Third] 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 2025, 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 [2nd/23rd] day of September, 2025.

DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES

By: _____
Chief Financial Officer

(This page intentionally left blank.)

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.

"Bankruptcy Code" means the United States Bankruptcy Code, as amended.

"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/B 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.

"Forty-Second Supplemental Resolution" means Resolution No. 5071, adopted by the Board on July 8, 2025.

"Forty-Third Supplemental Resolution" means Resolution No. 5073, adopted by the Board on July 8, 2025.

"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 perchloroethlene, 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, 2025 Series A.

"Series A Underwriters" means the underwriters listed on the front cover of this Official Statement.

"Series B Bonds" means the Department of Water and Power of the City of Los Angeles Water System Revenue Bonds, 2025 Series B.

"Series B Underwriters" means the underwriters listed on the front cover of this Official Statement.

"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.

"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 Third Amended and Restated Revolving Credit Agreement, dated as of July 3, 2025, between the Department and Wells Fargo Bank, National Association.



Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com