

JUDGMENT OBLIGATION BONDS DEBT SERVICE FUND

BASIS FOR THE PROPOSED BUDGET

The 2003-04 Proposed Budget for the Judgment Obligation Debt Service Fund relates to current year funding as follows:

	Amount	% Change
2002-03 Adopted Budget	\$ 36,149,599	
2003-04 Proposed Budget	\$ 8,477,596	
Change from 2002-03 Budget	\$ (27,672,003)	(77)%

The Judgment Obligation Bonds Debt Service Fund is a special purpose fund established to pay debt service on bonds issued to finance liabilities resulting from adverse decisions by the California courts in the following litigation matters: (a) the savings and loan business tax (California Federal Case); (b) the manufacturers' business tax (General Motors Case); and (c) the Kimpel Settlement. A total of \$214 million in bonds was issued for the savings and loan cases, \$25 million in bonds was issued for the manufacturers' cases and \$39 million in bonds was issued to settle the Kimpel lawsuit. Final payment on the California Federal Case bonds occurred in Fiscal Year 2002-03. Final payment on the General Motors Case and the Kimpel Settlement bonds will occur in 2007-08 and 2010-11, respectively.

Debt service on these bonds is an unconditional obligation of the City. The Judgment Obligation Bonds Debt Service Fund is administered by the Treasurer.

Debt Service Budget for Outstanding Judgment Obligation Bonds

	2002-03 Budget	2003-04 Proposed Budget	2004-05	2005-06	2006-07
<u>Savings & Loan Business Tax</u>					
Series 1992-A	\$ 25,225,250	\$ --	\$ --	\$ --	\$ --
Series 1993-A	2,153,640	--	--	--	--
<u>Manufacturers' Business Tax</u>					
Series 1998-A	3,459,429	3,328,566	3,197,704	3,066,841	2,439,754
<u>Kimpel Settlement</u>					
Series 2000-A	3,407,500	3,301,250	3,192,500	3,082,500	2,970,000
Series 2000-B	<u>1,903,780</u>	<u>1,847,780</u>	<u>1,791,780</u>	<u>1,735,780</u>	<u>1,679,080</u>
TOTAL	<u>\$ 36,149,599</u>	<u>\$8,477,596</u>	<u>\$ 8,181,984</u>	<u>\$ 7,885,121</u>	<u>\$ 7,088,834</u>

1. Savings and Loan Business Tax (California Federal Savings & Loan, 1992-A, 1993-A)

The 1992-A and 1993-A bonds were issued as a result of a ruling against the City by the California Supreme Court in *California Federal Savings and Loan Association v. City of Los Angeles* (the "California Federal" Case). As a result of the *California Federal* Case, the City had judgments entered against it obligating it to make refund payments of up to \$225 million in local business license taxes which the City had collected from certain financial institutions.

Amount of 1992-A Issue:	\$ 198,320,000	
Amount of 1993-A Issue:	15,415,000	
1992-A Principal Outstanding, July 1, 2002:	--	
1993-A Principal Outstanding, July 1, 2002:	--	
Final Payment 1992-A Issue:	2002-03	
Final Payment 1993-A Issue:	2002-03	
1992-A 2003-04 Debt Service Payment:		\$ --
1993-A 2003-04 Debt Service Payment:		--
Subtotal		\$ --

2. Manufacturers' Business Tax (General Motors Corporation, 1998-A)

The 1998-A bonds were issued as a result of a ruling against the City by the California Court of Appeals, Second District, in *General Motors Corporation v. City of Los Angeles* (the "General Motors" Case). As a result of the General Motors Case, the City had judgments entered against it obligating it to make refund payments of up to \$25 million in local business license taxes which the City had collected from certain manufacturing businesses within the City.

Amount of Issue:	\$ 25,000,000	
Principal Outstanding, July 1, 2002:	12,755,000	
Final Payment:	2007-08	
2003-04 Debt Service Payment:		\$ 3,328,566
Subtotal		\$ 3,328,566

3. Kimpel Settlement (2000-A, 2000-B)

The 2000-A and 2000-B bonds were issued as a result of a settlement and stipulated judgment entered against the City by the United States District Court in several cases collectively known as the "Kimpel Settlement." The Kimpel settlement is an action in the U.S. District Court by police officers alleging claims under the federal Fair Labor Standards Act. As a result, a stipulated judgment of approximately \$39 million was entered against the City.

Amount of 2000-A Issue:	\$ 25,000,000	
Amount of 2000-B Issue:	13,995,000	
2000-A Principal Outstanding, July 1, 2002:	17,500,000	
2000-B Principal Outstanding, July 1, 2002:	11,195,000	
Final Payment 2000-A Issue:	2009-10	
Final Payment 2000-B Issue:	2010-11	
2000-A 2003-04 Debt Service Payment:		\$ 3,301,250
2000-B 2003-04 Debt Service Payment:		1,847,780
Subtotal		\$ 5,149,030

TOTAL		
2003-04 PROPOSED JUDGMENT OBLIGATION BONDS DEBT SERVICE		\$ 8,477,596