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Executive Summary

- Economy continues to improve
- Continued strong fiscal management
- A path towards fiscal balance
- Actively addressing liabilities:
  - Litigation
  - Pension reforms
  - Labor relations
- $813,305,000* MICLA Lease Revenue Refunding Bonds, 2016 Series A and B

*Preliminary; subject to change.
Los Angeles Economy Continues to Expand

**Employment**

- Employment increased by 2.7% from 2013 to 2014
- 7.9% unemployment rate as of July 2015, significantly improved from high of 13% in 2010

**Business Activity**

- Taxable sales increased by 3.6% from Q3 2014 to Q3 2015 and have grown 39.1% since low in Q2 2009

**Real Estate**

- New nonresidential construction permits increased from 2013 to 2014 by 51%
- $644,000 median price for existing home in 2015, a 14.4% increase over 2014

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1 Source: Beacon Economics, dated March 2016
City met its major financial policies

- Appropriated 1.38% of General Fund to capital improvements, exceeding target of at least 1%

### 2015-16 Adopted Budget Summary

<table>
<thead>
<tr>
<th>Budget Component</th>
<th>Adopted 2014-15 ($M)</th>
<th>Adopted 2015-16 ($M)</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$5,138.29</td>
<td>$5,410.38</td>
<td>5.3%</td>
</tr>
<tr>
<td>Special Funds</td>
<td>$2,984.65</td>
<td>$3,172.18</td>
<td>6.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,122.94</strong></td>
<td><strong>$8,582.56</strong></td>
<td><strong>5.7%</strong></td>
</tr>
</tbody>
</table>

### Budget Reserves As of July 1

(Includes Reserve Fund, Budget Stabilization Fund, and UB - Reserves)

Source: City of Los Angeles, Office of the City Administrative Officer
Fiscal Year 2015-16 Adopted Budget Update

**Strengths**

- Strong reserve balances
  - Began Fiscal Year 2015-16 with Reserve Fund of 8.18% and total reserves of 11%, both above budget
  - After mid-year transfers of major one-time liability payouts and initial investment for homeless, total reserves stand at 9.69%
  - Committed to maintaining a 5% Reserve Fund
- Licenses, permits, fees and fines receipts are $42.4 million ahead, with no indication of year-end surplus
- Power Revenue transfer ordinance passed, expect payment in April of $267 million

**Challenges**

- Property tax Fiscal Year 2015-16 shortfall of $91 million
- Parking fine revenues are lower due to delays in staffing and workload assumptions
- Net revenue shortfall is manageable due to higher than anticipated reserves
- $38.89 million of unplanned expenditures reduced to $10 million at mid-year

Source: City of Los Angeles, Office of the City Administrative Officer
City Actively Managing Litigation Challenges

**Resolved**

**Jack Fry, et al v. City of Los Angeles**, challenged the City’s “freeze” of the medical premium subsidy for fire and police department retirees. Court of Appeal upheld City’s position.

**Settled**

**Ardon v. City of Los Angeles**, involving utility users’ tax on telecommunication services, settled with a cap of $92.5 million, reducing a potentially large liability.

**Settled**

**Willits v. City of Los Angeles**, reached a settlement under which the City will commit $31 million per year for 30 years to be used for program access improvements and barrier removal.

**Settled**

**Creation of New Cillian Retirement Tier II**, was dismissed with prejudice on all legal actions as part of the agreement with the Coalition of Los Angeles City Unions. Any new employees will be enrolled in new Tier III.

**In Settlement Discussions**

**Independent Living Center of Southern California, et al v. City of Los Angeles**, allege the City failed to ensure that affordable housing projects met accessibility requirement under federal law.

**In Settlement Discussions**

**U.S. Department of Housing and Urban Development (“HUD”),** advised the City in November 2011 that it is investigating whether City violated False Claims Act in connection with certifications made to HUD.

**Pending**

**DWP’s Power Revenue transfer**, litigation includes two class action lawsuits alleging that the City violated Proposition 26 by charging electric utility customers fees that exceeded the cost of providing electric utility service.

**Pending**

**Los Angeles Police Protective League and United Firefighters of Los Angeles City v. Board of Fire and Police Pension Commissioners v. City of Los Angeles**, seek to increase the retirees’ medical subsidy by the maximum amount allowable per year under the Administrative Code. City prevailed on a demurrer, but the Court of Appeal reversed and issued a remitter, sending case back to trial court.

Source: City of Los Angeles, Office of the City Administrative Officer
Pension Reforms Adopted

- Effective in 2016, new employees enrolled in new Tier III
  - 7% contribution for pension, and 4% for retiree health care
- Employees hired between July 2013 and July 2015 will be transferred to Tier I at City expense, estimated at $15 million to be fully offset by savings from true-up calculations

- City fully funds both pension and OPEB Annual Required Contributions
- Funding for OPEB began in 1989-90

Source: City of Los Angeles, Office of the City Administrative Officer
Labor Agreements Reached with Major Labor Unions

Cumulative Bargaining Unit Base Wage Movement
Fiscal Years 2007-08 to 2018-19

Source: City of Los Angeles, Office of the City Administrative Officer
Staffing Remains Below Peak Levels

Authorized City Staffing
(As of June 30, 2015)
(Not Including Proprietary Departments)

Source: City of Los Angeles, Office of the City Administrative Officer
Budget Outlook as of Adopted Budget

Four Year Budget Outlook 2015-16 to 2019-20 Surplus (Deficit)
(As of July 1, 2015)

Revenues: $5,300 to $5,900
Expenditures: $5,300 to $5,900

Source: City of Los Angeles, Office of the City Administrative Officer
Policy Initiatives and Priorities

**Homelessness**
- Initial investment of $30 million in Fiscal Year 2015-16
- Comprehensive Homeless Strategy report estimates nearly $2 billion will be needed over 10 years to house the current number of homeless
- Reviewing permanent revenue sources, many requiring voter approval, to be less reliant on the General Fund

**Los Angeles Department of Water and Power (DWP)**
- Possible ballot measure in the November 2016 and/or March 2017 election to address Charter and Administrative Code changes necessary to reform governance of the DWP

**Los Angeles Convention Center (LACC) Expansion**
- “Dual Path” approach: Traditional Approach and a business case for a Design-Build-Finance-Operate-Maintain (P3) approach integrated with a real estate development component for LACC
- One path will be selected by Summer 2016

**Sidewalk Repairs**
- CAO adopted a “Fix and Release” policy to repair damaged sidewalks adjacent to residential properties only. Sidewalks would then become the responsibility of the owner
- Settlement of $1.4 billion over 30 years

**2024 Summer Olympics**
- U.S. Olympic Committee selected the City as its candidate to host the 2024 Summer Olympic Games. The International Olympic Committee will finalize its selection of a host city in 2017

Source: City of Los Angeles, Office of the City Administrative Officer
Disciplined, Policy-Driven Debt Management

• By policy, debt service is limited to 15% of revenues for all direct debt and 6% for non-voted debt

  ➢ Ratios are 6.98% for all direct debt and 4.46% for non-voted debt

• Over a third of the City’s direct debt is supported by property and special tax receipts

• 68% of the City’s net direct debt will be retired over the next ten years

1 As of January 1, 2016

Source: City of Los Angeles, Office of the City Administrative Officer
### Transaction Summary (MICLA Series 2016-AB)

<table>
<thead>
<tr>
<th><strong>Issuer</strong></th>
<th>Municipal Improvement Corporation of Los Angeles (MICLA)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Security</strong></td>
<td>Basic Lease Payments from the City’s General Fund to MICLA</td>
</tr>
</tbody>
</table>
| **Bonds** | $120,690,000*  Lease Revenue Refunding Bonds, Series 2016-A (Capital Equipment)  
$692,615,000*  Lease Revenue Refunding Bonds, Series 2016-B (Real Property) |
| **Ratings⁽¹⁾ (S&P/Fitch/Kroll)** | Series 2016-A (Capital Equipment): A+/A+/AA-  
Series 2016-B (Real Property): A+/A+/AA- |
| **Par Size** | $813,305,000* |
| **Tax Status** | Federally tax-exempt; California state tax-exempt |
| **Use of Proceeds** | (i) Retirement of commercial paper notes  
(ii) refund all outstanding Series 2008-A (Capital Equipment), Series 2006-A (Police Headquarters Facility and Public Works Building), Series 2007-B1 & B2 (Figueroa Plaza), Series 2008-B (Real Property), Series 2009-B (Real Property), Series 2009-E (Real Property)  
(iii) to finance and refinance the costs of the acquisition and improvement of certain real property  
(iv) pay costs of issuance |
| **Amortization** | November 1, 2016-2039* |
| **Optional Redemption** | 10-year par call* |
| **Pricing Date** | Retail: Tuesday, May 10, 2016*  
Institutional: Wednesday, May 11, 2016* |
| **Closing Date** | Wednesday, May 25, 2016* |
| **Underwriters** | Goldman Sachs (Book-Running Joint-Senior Manager)  
Siebert Brandford Shank (Joint-Senior Manager)  
Academy Securities (Co-Manager)  
Fidelity Capital Markets (Co-Manager) |

*Preliminary; subject to change.  
⁽¹⁾ Based on existing MICLA ratings
Investor Relations

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Chief of Debt Management

**Ha To**  
Finance Specialist

The CAO’s investor relations website is a centralized source of information that aggregates useful materials for ease of access, including links to:

- Financial policies and financial information (CAFR, Appendix A)
- Presentations (investor and credit presentations)
- Provide CUSIP numbers for use on EMMA
- Adopted Budget, budget memos and current/completed budget deliberations
- Financial Status Reports
- Upcoming issuance calendar, rating summary, and relevant rating reports

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**City of Los Angeles**

**Debt Management / Investor Relations**

Miguel A. Santana, City Administrative Officer

**Debt Programs Managed by the CAO**

1. General Obligation Bonds
2. Los Angeles Wastewater Systems Revenue Bonds
3. Solid Waste Resources Revenue Bonds
4. Municipal Improvement Corporation of Los Angeles Lease Obligations
5. Judgment Obligation Bonds
6. Helo-Flats Bonds
7. Tax and Revenue Anticipation Notes (TRAN)

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**City of Los Angeles - Investor Information**

- **Budget**
  - City Budget
  - Financial Status Reports

- **Debt**
  - Calendar of Bond Offerings
  - Credit Ratings
  - IRMA Letter
  - Electronic Municipal Market Access (EMMA)

- **Financial Disclosure**
  - 2015 Appendix A: City of Los Angeles Information Statement
  - Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2015

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Source: City of Los Angeles, Office of the City Administrative Officer