Los Angeles 5th Regional Investor Conference

Keith Knox, Treasurer and Tax Collector

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Economic Overview: Los Angeles County

- Larger economy than 45 states and all but 17 countries
- Population of 10.2 million is 25.6% of total California population
- Larger population than 41 states
- Gross product of $807.0 billion in 2018 was 27.3% of California’s economic output
- Continued economic growth of 2.7% projected for 2020
- Total personal income level in the County increased by 3.8% in 2018, with continued growth of 2.1% projected for 2020
- The City of Los Angeles will host the 2028 Olympic and Paralympic Games
Diversified Economy Continues to Experience Strong Employment Growth

- Highly diversified workforce – no industry accounting for more than 16% of total
- In 2019, the County’s unemployment rate fell to 4.4% – projected to be 4.3% in 2020
- Total net job growth of approximately 61,000 projected for 2020
Burgeoning Tech Industry Adds Further Diversification

- “Silicon Beach” area continues to attract leading and emerging tech companies
- Westside is home to over 500 tech companies
- Top tech companies with a presence in the Los Angeles area include Google, SpaceX, YouTube, Netflix, Hyperloop One, Snapchat, Spotify
Strong Economic Trends in Los Angeles County

Stable Population Growth

Improving Wealth Levels

Low and Declining Unemployment

Steady Growth in Consumer Spending

(1) Forecasted; Source: Los Angeles Economic Development Corporation FY 2019-20 Economic Forecast
(2) Based on Los Angeles Economic Development Corporation FY 2019-20 Economic Forecast’s 2.6% growth for Los Angeles County
State of the County

Board Priorities and Strategic Goals

- Make Investments That Transform Lives
- Foster Vibrant and Resilient Communities
- Realize Tomorrow’s Government Today

Strong Financial Management

- Fiscal prudence and long term strategic planning

Strategic Investments

- Action Plan to Prevent and Combat Homelessness
- Continued Investment in Infrastructure and Environment
- Focus on Economic Development

Managing Climate Change

- County Sustainability Plan establishes 12 goals

Commitment to Diversity and Inclusion

Culture of Professional Management
Strong Commitment to Diversity and Inclusion

Focus on outreach to support diversity and inclusion

- Increased outreach and vendor engagement
- Reduce barriers to participation
- Participation and support for organizations
- Interest in seeing more diverse ownership
Assessed Valuation Remains Strong and Continues to Grow

- FY 2019–20 was the ninth consecutive increase in the County's net Assessed Valuation
  - Net assessed value of $1.6 trillion
  - Increase of 6.3% from FY 2018–19

- Significant "stored value" from Proposition 13 impact minimized decrease in property tax revenue from falling home values during 2008 recession
  - Decline of 48.0% in median home prices but property tax rolls only declined 2.4%

- FY 2019–20 tax roll indicates significant stored value for future tax rolls

Net Assessed Valuation, YoY Growth Rates ($BN)

**Total Property Tax Collections Average 100% of Levies**

- Over the prior six years, tax collections have approximated 100% of annual tax levy
- Delinquent collections include prior year payments plus penalties:
  - 10% delinquency penalty on gross amount
  - 1.5% monthly interest rate penalty

**County of Los Angeles 1% AD Valorem Property Tax Levy**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Tax Levy</th>
<th>Collections</th>
<th>Collections as % of Original Levy</th>
<th>Delinquent Collections</th>
<th>Total Collections</th>
<th>Total Collections as % of Original Levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013–14</td>
<td>2,662,214,197.49</td>
<td>2,623,480,895.39</td>
<td>98.55%</td>
<td>48,308,441.63</td>
<td>2,671,789,337.02</td>
<td>100.36%</td>
</tr>
<tr>
<td>2014–15</td>
<td>2,813,474,388.97</td>
<td>2,773,124,192.62</td>
<td>98.57%</td>
<td>45,708,965.93</td>
<td>2,818,833,158.55</td>
<td>100.19%</td>
</tr>
<tr>
<td>2015–16</td>
<td>2,951,863,732.59</td>
<td>2,919,629,055.93</td>
<td>98.91%</td>
<td>38,974,853.29</td>
<td>2,958,603,909.22</td>
<td>100.23%</td>
</tr>
<tr>
<td>2016–17</td>
<td>3,134,636,611.21</td>
<td>3,097,916,528.24</td>
<td>98.83%</td>
<td>37,231,341.34</td>
<td>3,135,148,869.58</td>
<td>100.02%</td>
</tr>
<tr>
<td>2017–18</td>
<td>3,316,064,681.97</td>
<td>3,277,406,885.03</td>
<td>98.83%</td>
<td>37,732,285.88</td>
<td>3,315,139,170.91</td>
<td>99.97%</td>
</tr>
<tr>
<td>2018–19</td>
<td>3,524,838,020.30</td>
<td>3,476,693,411.99</td>
<td>98.63%</td>
<td>38,475,430.39</td>
<td>3,315,168,842.38</td>
<td>99.73%</td>
</tr>
</tbody>
</table>

*Source: County of Los Angeles Auditor-Controller (Accounting Division)*
FY 2019–20 Final Adopted Budget: Supports Delivery of Critical Services With Conservative Fiscal Practices

<table>
<thead>
<tr>
<th>Fund ($BN)</th>
<th>FY 2018–19 Final Adopted Budget</th>
<th>FY 2019–20 Final Adopted Budget</th>
<th>$ Change from FY 2018-19 Final Adopted Budget</th>
<th>% Change From FY 2018-19 Final Adopted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>General County</td>
<td>$25.699</td>
<td>$27.925</td>
<td>$2.226</td>
<td>8.66%</td>
</tr>
<tr>
<td>Special Funds/Districts</td>
<td>7.100</td>
<td>8.130</td>
<td>1.030</td>
<td>14.51%</td>
</tr>
<tr>
<td>Total</td>
<td>$32.799</td>
<td>$36.055</td>
<td>$3.256</td>
<td>9.93%</td>
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</table>

Total Budget Requirements ($BN)\(^{(1)}\)

- **Health & Sanitation**: $11.63 (32%)
- **Public Protection**: $8.90 (25%)
- **Public Assistance**: $8.96 (25%)
- **Recreation & Cultural**: $0.92 (2%)
- **Other**: $1.45 (4%)

\(^{(1)}\) Source: FY 2019-20 Final Adopted Budget.

FY 2019–20 Final Adopted Budget Approved by Board of Supervisors on October 1, 2019
## Well-Funded Pension System - Continued OPEB Improvement

### Strong Funding Levels for Pension System
- LACERA provides retirement benefits
- Membership of 178,260 as of June 30, 2018, including 64,880 retirees
- Investments total $58.4 billion as of June 30, 2019
- Full ARC payment made every year since 1998
- No Pension Obligation Bonds outstanding
- Assumed rate of return lowered from 7.50% to 7.25%
  - Increase in County contribution rate phased in over a three-year period starting in FY 2017–18
- Funded Ratio as of June 30, 2018 was 80.6%
- Annualized return for last 3 years (as of June 30, 2019) was 9.4%

### Commitment to Prefund OPEB Liability
- Most recent OPEB Valuation reported a net OPEB liability of $25.2 billion
- Implemented annual pre-funding program in FY 2015–16 to manage OPEB liability
- Latest value of irrevocable OPEB Trust approximately $1.1 billion
- Annual prefunding increases $60 million per year ([$25 million - Net County Cost and $35 million - subvention payments])
- $182.9 million prefunding contribution to OPEB Trust in FY 2018–19
- $246.2 million prefunding contribution to OPEB Trust in FY 2019–20
- OPEB ARC projected to be fully funded by FY 2027–28

*Source: Milliman Actuarial Valuation as of June 30, 2018; LACERA May 2019 Chief Investment Officer's Report*
Modest County Debt Burden

The County had $1.94 billion of outstanding intermediate and long-term debt in fixed rate obligations as of July 1, 2019.

Annual debt service payments represent approximately 0.6% of FY 2019-20 Budget.

Substantial debt capacity with flexibility to meet future financing needs for capital projects, deferred maintenance, and funding of long-term pension and OPEB liabilities.

On August 29, 2019, the County issued $251.89 million of 2019 Series E-1 and E-2 Lease Revenue Bonds.

Los Angeles County Debt Profile

- **Other County Debt Service**
- **Existing 2015 Master Lease Debt Service**
- **2019 Series E Debt Service**
Steady Improvement in County Credit Ratings

Los Angeles County Historical Long-Term Ratings - Fiscal Year End 2011 to 2020

### ISSUER RATINGS (General Obligation Bonds)

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<tr>
<td>Fitch</td>
<td>AA-</td>
<td>AA-</td>
<td>AA-</td>
<td>AA-</td>
<td>AA-</td>
<td>AA</td>
<td>AA</td>
<td>AA+</td>
<td>AA+</td>
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<tr>
<td>Moody's</td>
<td>Aa2</td>
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### LEASE RATINGS (Lease Revenue Bonds)

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<td>AA-</td>
<td>AA-</td>
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</tr>
<tr>
<td>Moody's</td>
<td>A1</td>
<td>A1</td>
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<td>Aa2</td>
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<td>Aa2</td>
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<tr>
<td>S &amp; P</td>
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<td>AA</td>
<td>AA</td>
<td>AA</td>
<td>AA+</td>
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Infrastructure Investments Will Help Drive Future Growth

### Ongoing Funding for Infrastructure and Services in LA County

- Significant new financing measures approved by State Legislature and County voters

<table>
<thead>
<tr>
<th>Measure Name</th>
<th>Date Approved</th>
<th>Purpose</th>
<th>Revenue Source</th>
<th>Annual Revenue ($MM)</th>
<th>Estimated Total Revenue ($MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide- NPLH (AB1628) (2)</td>
<td>September 2016</td>
<td>Housing</td>
<td>PIT- Millionaire's Tax</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>LA City Homeless Housing (Measure HHH)</td>
<td>November 2016</td>
<td>Housing</td>
<td>Parcel Tax</td>
<td>-</td>
<td>1,200.0</td>
</tr>
<tr>
<td>LA County Parks and Open Space (Measure A) (3)</td>
<td>November 2016</td>
<td>Environment</td>
<td>Parcel Tax</td>
<td>94.0</td>
<td>940.0 (1)</td>
</tr>
<tr>
<td>LACMTA (Measure R/M) (3)</td>
<td>November 2016</td>
<td>Transportation</td>
<td>Sales Tax</td>
<td>860.0</td>
<td>8,600.0 (1)</td>
</tr>
<tr>
<td>Proposition 51 (School Construction) (4)</td>
<td>November 2016</td>
<td>Schools</td>
<td>State General Fund</td>
<td>-</td>
<td>2,250.0</td>
</tr>
<tr>
<td>LA County Homeless Services (Measure H) (3)</td>
<td>March 2017</td>
<td>Services</td>
<td>Sales Tax</td>
<td>355.0</td>
<td>3,550.0 (1)</td>
</tr>
<tr>
<td>Statewide (SB-1) (4)</td>
<td>April 2017</td>
<td>Transportation</td>
<td>State Fuel Tax</td>
<td>187.5</td>
<td>1,875.0 (1)</td>
</tr>
<tr>
<td>LA County Flood Control District (Measure W) (3)</td>
<td>November 2018</td>
<td>Environment</td>
<td>Parcel Tax</td>
<td>300.0</td>
<td>3,000.0 (1)</td>
</tr>
<tr>
<td>K-12 Schools &amp; Community College Districts (5)</td>
<td>Various (6)</td>
<td>Schools</td>
<td>Ad Valorem Tax</td>
<td>-</td>
<td>12,090.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$ 1,796.5</strong></td>
<td><strong>$ 34,005.4</strong></td>
</tr>
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### Countywide Measures Under Consideration

- **Fire District:** Ballot measure would generate approximately $1.4 billion

### Other Ongoing Regional Capital Improvement Programs

- LAX, Port of Los Angeles, Port of Long Beach, LADWP, LA Wastewater,
- K-12 schools and community college districts (authorized, unissued G.O. Bonds) (5): $19.4 billion

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(1) Estimated annual revenue over a 10 year period
(2) Assumes 25% of "No Place Like Home" funding will be allocated to the County of Los Angeles
(3) Measure has no sunset provision. Tax will continue in perpetuity unless repealed by voters
(4) Assumes 25% of funding will be allocated to County of Los Angeles jurisdictions
(5) Source: County of Los Angeles Auditor-Controller. As of December 31, 2018
(6) Based on total measures approved by voters in June 2016, November 2016, November 2017, June 2018, and November 2018 elections
Future County Financings

- FY 2020-21 Tax and Revenue Anticipation Notes - $700 Million Par (June 2020)

- Anticipated Long-term Bond Financings Include:
  - 2020 Tobacco Settlement Refunding Bonds - $345 Million Par (March 2020)
  - 2020 LAC-CAL Equipment Program - $40 Million Par (June 2020)
  - LACMA Museum Replacement Facility - $425 Million Par (Aug 2020)
  - MLK Medical Campus Behavior Health Center Renovation Project - $256 Million Par (Timing TBD)

- Valencia CFD Project (1)
  - Planned 25,000 residential units
  - Planned 13,000,000 square feet of commercial, industrial and non-residential
  - Potential for $2.0 Billion of public improvements

- Tesoro CFD Project (1)
  - Planned 705 units with amenities and utilities
  - Possible $39.9 Million of public improvements and eligible costs

(1) Specific community facilities district projects subject to approval by the County Mello-Roos Task Force and the Board of Supervisors.
Closing Remarks

- County has a $1.60 trillion property tax base with an economy larger than all but 5 U.S. states
- History of responsible and conservative financial management practices
  - Board Priorities and Initiatives funded with new revenue streams
  - Culture of professional management
- Significant capital improvements
  - Targeted revitalization projects (Vermont Corridor Project)
  - Investment in art and public space (i.e. LACMA expansion)
- Commitment to supporting and enhancing diversity
- Robust action plan to tackle homelessness
- Strong credit with underlying ratings of AAA/Aa1/AA+
Thank you!