CITY OF LOS ANGELES

Presented by Miguel A. Santana, City Administrative Officer
February 26, 2014

Disclaimer

This Investor Presentation is provided as of February 26, 2014 as part of the Los Angeles 2nd Regional Investor Conference 2014 organized by the City of Los Angeles ("City") with respect to the City of Los Angeles. If you are viewing this presentation after February 26, 2014, there may have been events that occurred subsequent to such date that may have a material adverse effect on the financial information that is presented herein, and the City has not undertaken any obligation to update this Investor Presentation. All financial data and other information provided herein are not guaranteed as to completeness or accuracy and are subject to change without notice.

This Investor Presentation does not constitute a recommendation or an offer or solicitation for the purchase or sale of any security or other financial instrument, or to adopt any investment strategy. Any offer or solicitation with respect to the purchase or sale of any security will be made solely by means of an Official Statement, which describes the actual terms of such securities. This Investor Presentation is not an Official Statement. In no event shall the City be liable for any use by any party of, for any decision made or action taken by any party in reliance upon, or for any inaccuracies or errors in, or omissions from, the information contained herein and such information may not be relied upon by you in evaluating the merits of participating in any transaction mentioned herein. The City makes no representations as to the legal, tax, credit or accounting treatment of any transaction mentioned herein, or any other effects such transactions may have on you and your affiliates or any other parties to such transactions and their respective affiliates. You should consult with your own advisors as to such matters and the consequences of the purchase and ownership of any security. Nothing in this Investor Presentation constitutes a commitment by the City.

This Investor Presentation contains certain forward-looking statements. The achievement of certain results or other expectations contained in any forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although the City believes that such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The City is not obligated and has not undertaken any obligation to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

Credit Ratings Affirmed

Credit Ratings

- Standard & Poor's Credit Review of the City of Los Angeles affirmed its AA- (Stable) rating for General Obligation Bonds
- Current Ratings - Stable (Moody's/S&P/Fitch)
  - GOs: Aa2/AA-/AA-
  - MICLA LRBs:
    - Real Property: A2/A+/A+
    - Equipment: A3/A+/A+

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

Current 2013-14 Financial Status

Fiscal Year 2013-14 Budget Component	Amount ($ Millions)	Authorized Positions
City Budget	$7,686	31,880
General Fund	$4,867	
Special Funds	$2,819	
Proprietary Department Budgets		
Airports	$4,383	3,566
Harbor	$1,071	994
Water and Power	$7,200	9,986
Grants and Other Non-Budgeted	$1,337	
Total City Government	$20,586	46,426

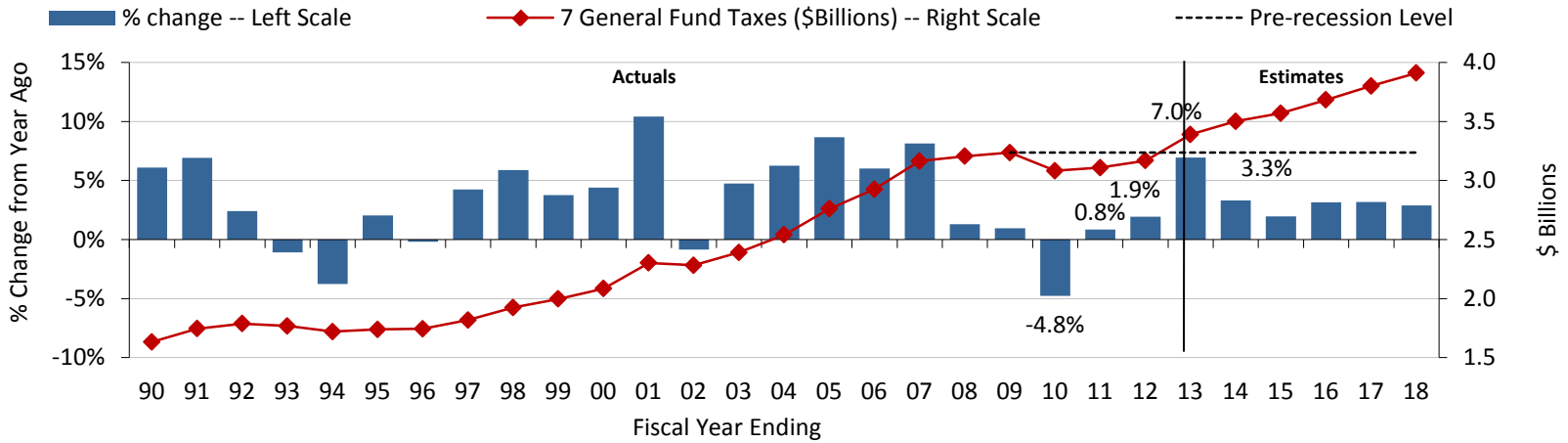
Source: City of Los Angeles, Office of the City Administrative Officer

Major General Fund Revenues have Stabilized and are Diversified

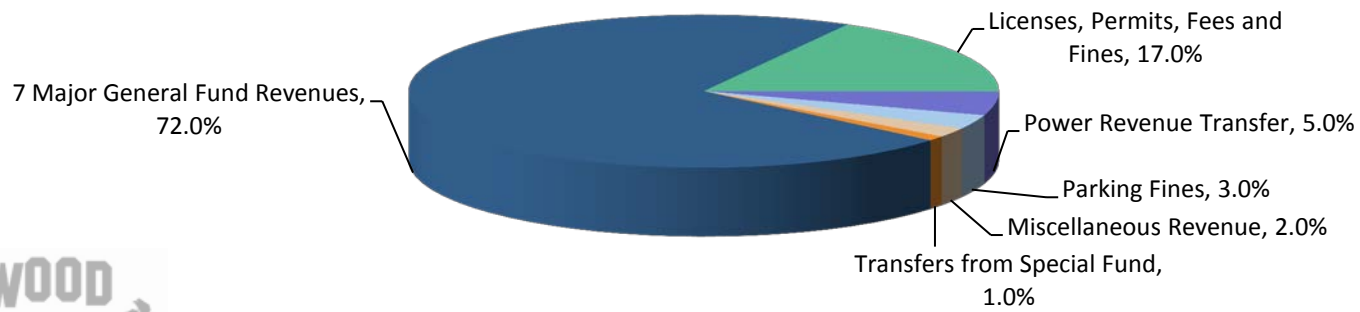
- Actual General Fund revenues in 2012-13 exceeded 2012-13 Budget by $116.7 million
- 2012-13 revenues have returned to pre-recession levels

Seven General Fund Taxes

Property (includes VLF and ex-CRA receipts), Utility, Business, Sales, Hotel, Documentary and Parking Taxes



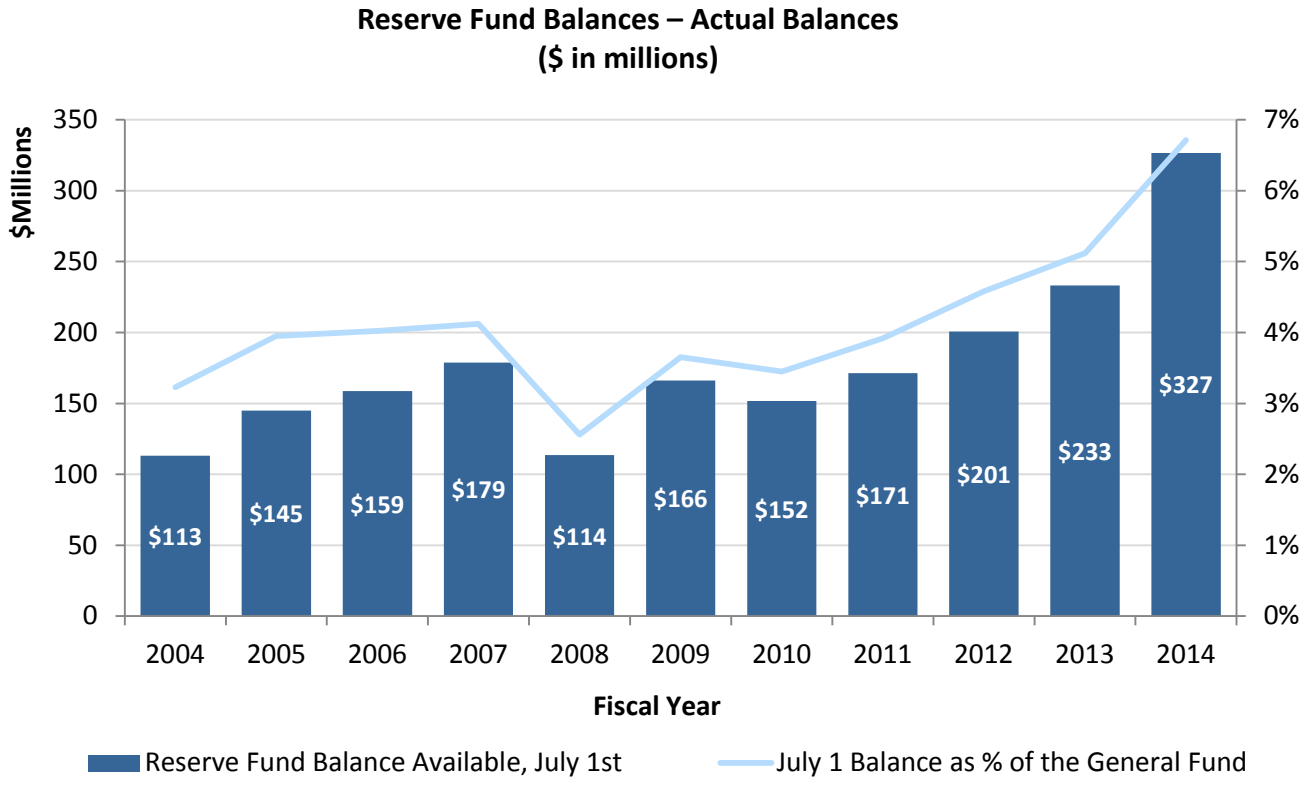
Sources of General Fund Revenue for Fiscal Year 2013-14



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

Record High Reserve Balances

In 2013-14, the Reserve Fund exceeded the City's policy goal of 5% of General Fund revenues



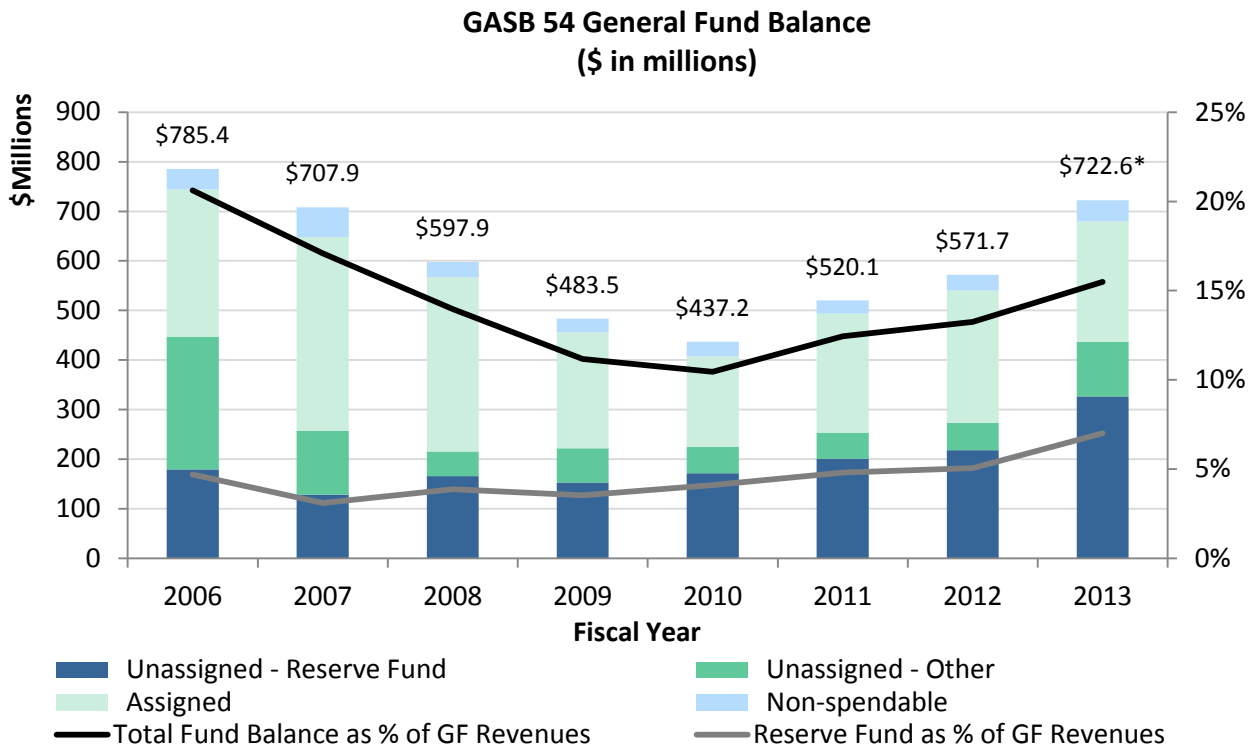
Source: City of Los Angeles, Office of the City Administrative Officer

GASB 54 Reserve Balances

The City has restated prior year fund balances to conform with GASB 54

- First implemented in fiscal year 2011 CAFR

- For the third year in a row, Reserve balances based on GASB 54 have increased in dollars and as a percentage of revenues



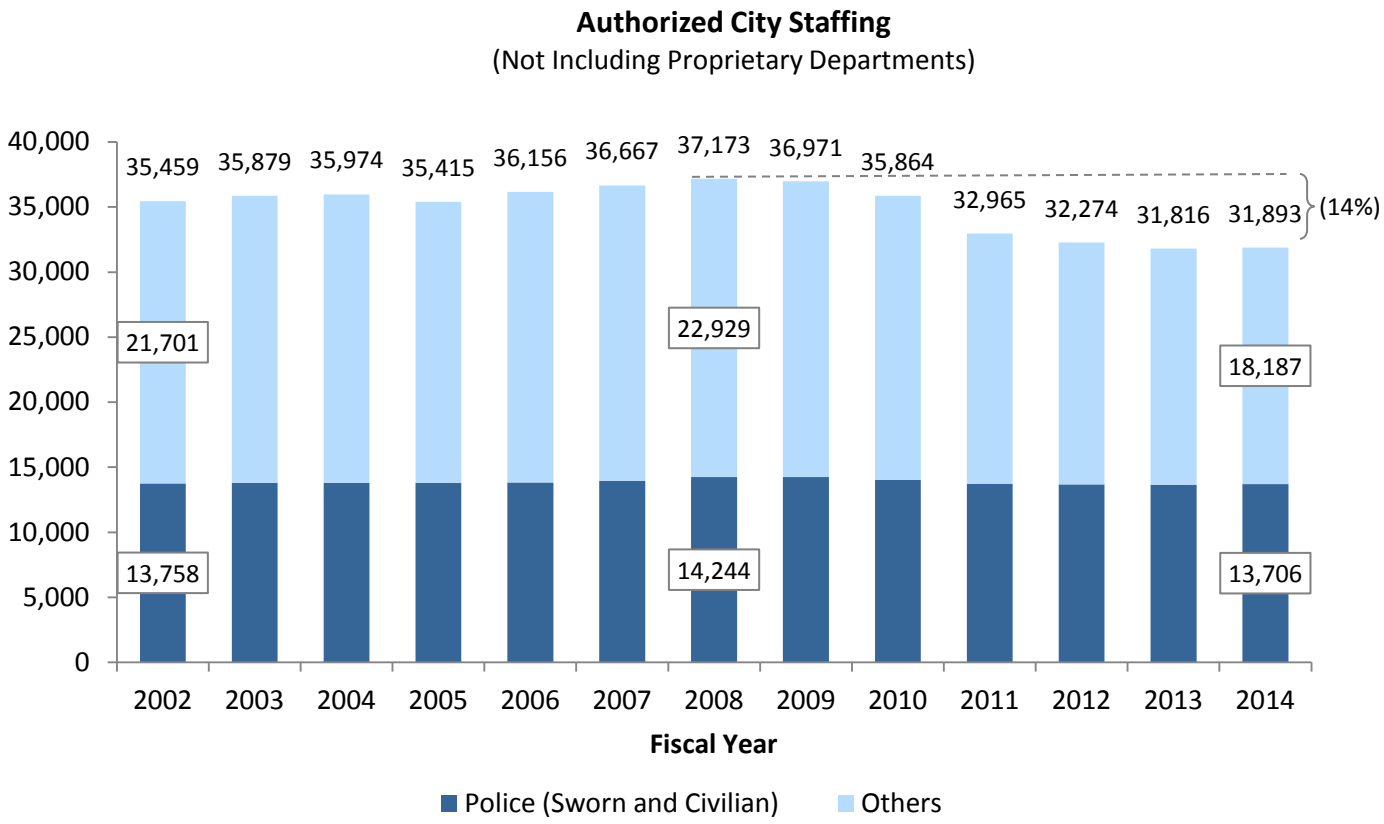
*Preliminary , subject to change

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

Authorized City Staffing

Civilian workforce has been maintained near its lowest point in more than three decades

- Total staffing is currently 5,280 positions (14%) lower than its peak in 2007-08
- 2013-14 Adopted Budget maintains 2012-13 staffing levels for both sworn and civilian employees



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

Labor Relations

City has taken significant actions to reduce its personnel-related expenditure pressures

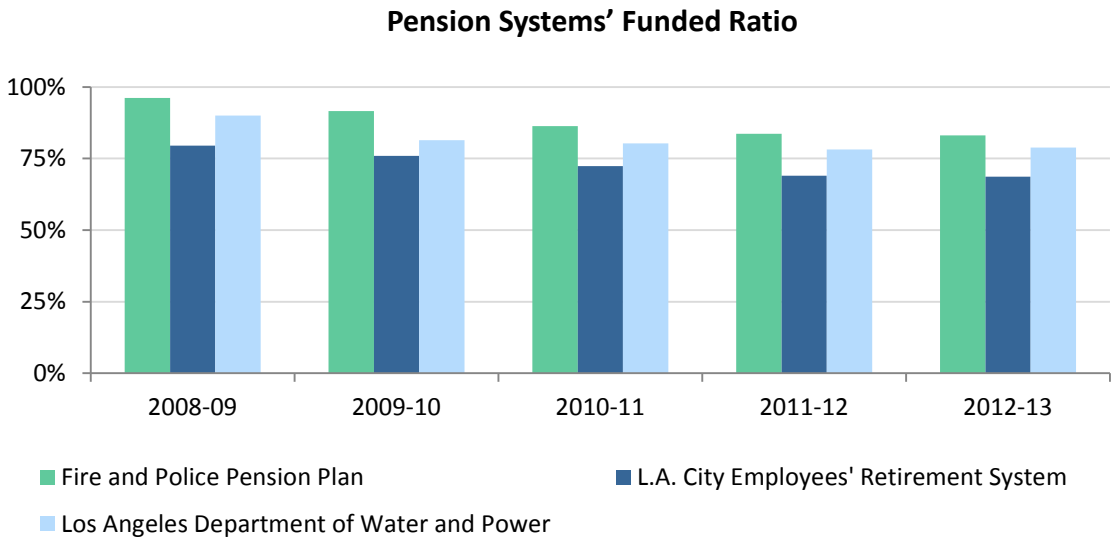
- LACERS Tier 2 - Effective July 1, 2013
  - Defined benefit plan
  - Member contribution rate variable based on actuarial reports
  - Retirement factor reduced from 2.16% per year to 2.0% per year
  - Normal retirement age increased to 65
  - Final average salary based on 36 months rather than 12 months
  - Retiree health subsidy excludes dependents

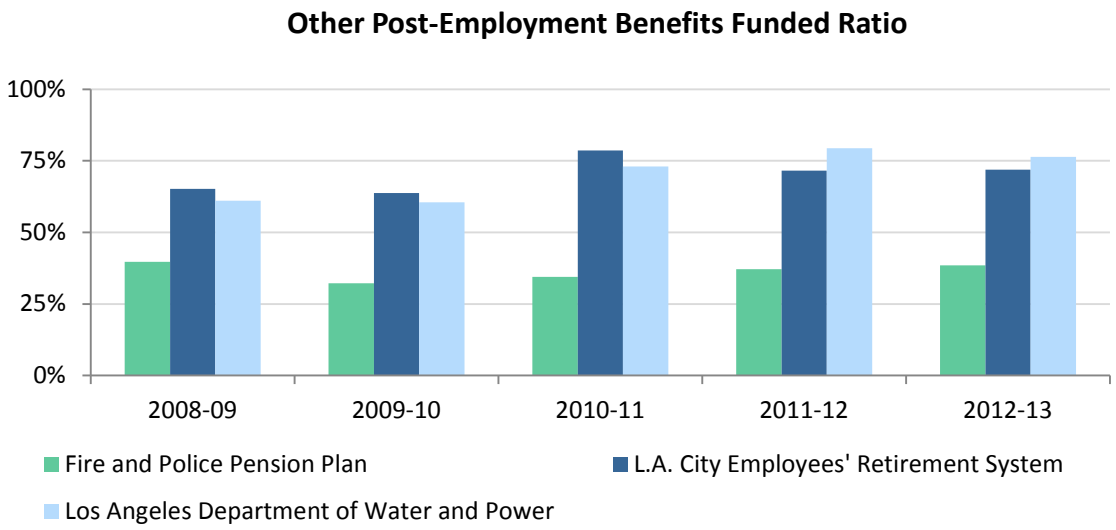
- LAFPP Tier 6 - Effective July 1, 2011
  - Defined benefit plan
  - Member contribution rate increased to 11%, including 2% for retiree health
  - Retirement factor reduced to require longer service
  - Final average salary based on 24 months rather than 12 months

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

Pension and OPEB Funded Ratios

- City fully funds both pension and OPEB Annual Required Contributions
- Funding for OPEB began in 1989-90
- Pension Systems' 2012-13 Funded Ratios: 69% to 83%
- OPEB 2012-13 Funded Ratios: 39% to 72%

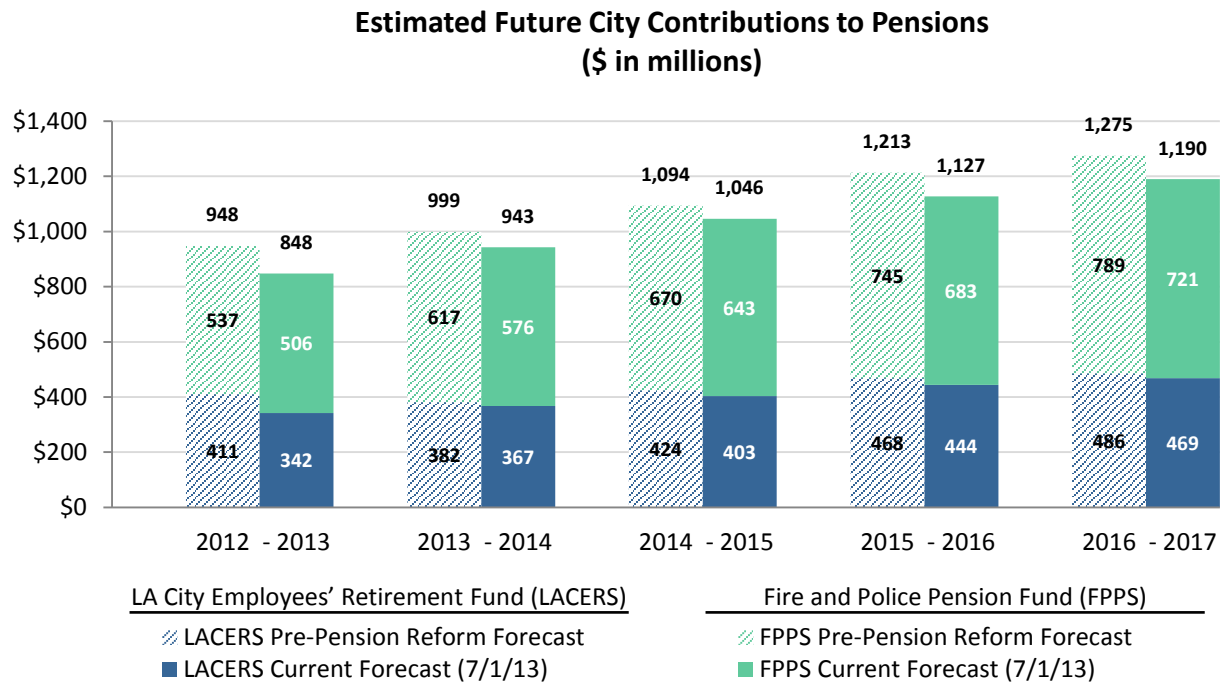




Source: City of Los Angeles, Office of the City Administrative Officer; Los Angeles Department of Water and Power

Pension Contributions

- Pension reform has lowered pension and OPEB liabilities from prior forecasts
- Increased employee contribution towards retirement health benefits from 0% to 2% (sworn) and 4% (civilian)



Illustrations of Pension and OPEB Contribution Rates (Assuming Contributions Made on 7/15)

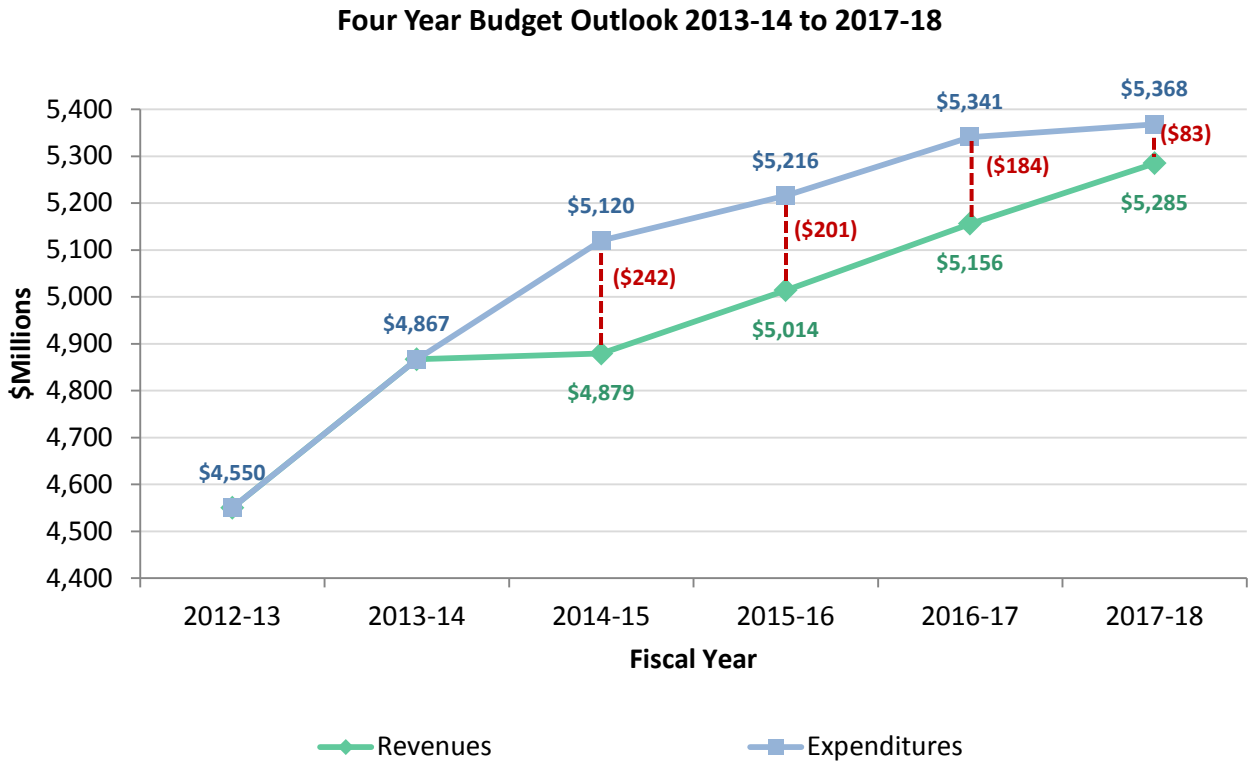
	2013-14	2014-15	2015-16	2016-17	2017-18
LA City Employees' Retirement Fund	25.33%	26.56%	28.57%	29.65%	28.73%
Fire and Police Pension Fund	44.40%	47.94%	50.17%	52.27%	51.35%

Source: Segal Consulting, January 2014, as commissioned by the City Administrative Officer (assumed market return of 7.75%)

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

Multi-Year Budget Outlook

Four-year 2013-14 General Fund Budget Outlook



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

Update on Litigation

Resolution of major lawsuits but other large potential liabilities remain

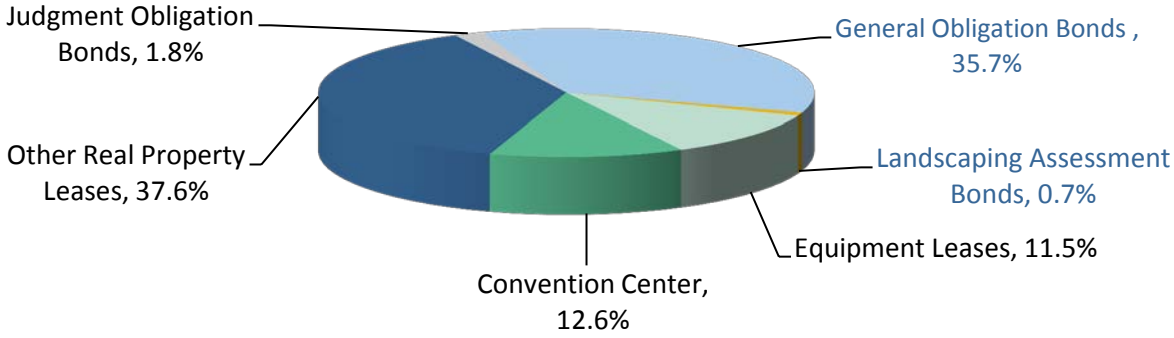
- Retiree Health Subsidy Case (Los Angeles City Attorney Association v. City)
- Furlough Case (Los Angeles City Attorney Association v. City)
- Telephone Users' Tax Case (Ardon v. City)
- Sidewalks Case (Wilits v. City)

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
- 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

Outstanding Direct Debt as of January 1, 2014
Total: $2.78 Billion
(Voter-Approved in Blue)



Debt Issuance Calendar*	Estimated Amount*	Estimated Date*
Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds (New Money and Refunding)	$91 Million	March 2014
Landscape and Lighting District 96-1 Assessment Refunding Bonds	$18 Million	May 2014
TRANs 2014	$1.4 Billion	June 2014
General Obligation Bonds 2014A	$60.5 Million	August 2014
General Obligation Refunding Bonds 2014B	$50 Million	August 2014

*Subject to change

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

Investor Relations

The City Administrative Officer's investor relations website is a centralized source of information

Aggregates useful materials for ease of access, including links to:

- Financial disclosures (CAFR, Appendix A)
- Financial policies
- Various presentations (including investor and credit presentations)
- Continuing Disclosure documents; CUSIP numbers for use on EMMA
- Adopted budget, budget memo and current/completed budget deliberations
- Financial Status Reports
- Upcoming issuance calendar
- Rating summary and relevant recent rating reports
- Remainder of CAO's website for additional information

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

Strengths and Challenges

Strengths

- The City's Adopted Budget is based on conservative revenue assumptions
- The City addressed budget gaps primarily through ongoing solutions
- The City has implemented pension reform
- The 2013-14 Adopted Budget provides flexibility for uncertainties
- Reserve balances of over $400 million (8.2% of general fund revenues)
- Solve problems each quarter

Challenges

- Projected future gaps
- Pension and OPEB cost mitigation
- Focus on service restoration needs to be balanced with resources
- External factors' (i.e. federal government) impact on economy

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