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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+
## Current 2013-14 Financial Status

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

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

Fiscal Year Ending

Seven General Fund Taxes ($Billions) -- Right Scale

% Change from Year Ago

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

GASB 54 General Fund Balance ($ in millions)

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

*Preliminary, subject to change
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
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).

**Estimated Future City Contributions to Pensions**
($ in millions)

**LA City Employees’ Retirement Fund (LACERS)**
- LACERS Pre-Pension Reform Forecast
- LACERS Current Forecast (7/1/13)

**Fire and Police Pension Fund (FPPS)**
- FPPS Pre-Pension Reform Forecast
- FPPS Current Forecast (7/1/13)

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

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>LA City Employees’ Retirement Fund</strong></td>
<td></td>
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<tr>
<td></td>
<td>25.33%</td>
<td>26.56%</td>
<td>28.57%</td>
<td>29.65%</td>
<td>28.73%</td>
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<tr>
<td><strong>Fire and Police Pension Fund</strong></td>
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<tr>
<td></td>
<td>44.40%</td>
<td>47.94%</td>
<td>50.17%</td>
<td>52.27%</td>
<td>51.35%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimated Amount*</th>
<th>Estimated Date*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds (New Money and Refunding)</td>
<td>$91 Million</td>
<td>March 2014</td>
</tr>
<tr>
<td>Landscape and Lighting District 96-1 Assessment Refunding Bonds</td>
<td>$18 Million</td>
<td>May 2014</td>
</tr>
<tr>
<td>TRANs 2014</td>
<td>$1.4 Billion</td>
<td>June 2014</td>
</tr>
<tr>
<td>General Obligation Bonds 2014A</td>
<td>$60.5 Million</td>
<td>August 2014</td>
</tr>
<tr>
<td>General Obligation Refunding Bonds 2014B</td>
<td>$50 Million</td>
<td>August 2014</td>
</tr>
</tbody>
</table>

*Subject to change

Source: City of Los Angeles, Office of the City Administrative Officer
The City Administrative Officer’s investor relations website is a centralized source of information.

- 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