

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 1, 2022

CAO File No. 0220-05291-1195

Council File No.

Council District: ALL

To: The Mayor
The City Council

From: Matthew W. Szabo, City Administrative Officer



Reference: 2022-23 Budget

Subject: **ISSUANCE AND SALE OF 2022 TAX AND REVENUE ANTICIPATION NOTES (TRAN) FOR FISCAL YEAR 2022-23 IN AN AGGREGATE AMOUNT NOT TO EXCEED \$2.0 BILLION AND INTERFUND BORROWING TO MEET CASH FLOW NEEDS**

RECOMMENDATION

That the City Council, subject to the approval of the Mayor:

1. Adopt the attached Authorizing Resolution, and related documents, authorizing the issuance and sale of the 2022 Tax and Revenue Anticipation Notes in an aggregate amount not to exceed \$2.0 billion, and
2. Authorize the Controller and the Treasurer to make temporary transfers from the attached list of funds (Exhibit D) during Fiscal Year 2022-23, in accordance with provisions of Section 340(b) of the City Charter, provided that no such transfers shall be made after the last Monday in April and provided further that the total of such transfers shall not exceed \$300 million.

SUMMARY

In accordance with the 2022-23 Adopted Budget (C.F. 22-0600), the City Administrative Officer (CAO) requests authority to issue up to \$2.0 billion of Tax and Revenue Anticipation Notes (TRAN) to pay its annual contributions to the Los Angeles City Employees' Retirement System (LACERS) and the Los Angeles Fire and Police Pension Plan (LAFPP) and to alleviate the City's short-term cash flow deficits that occur early in the fiscal year when certain taxes and revenues have not yet been received.

The estimated 2022-23 annual contributions to LACERS and LAFPP is \$636.5 million and \$660.9 million, respectively. This Office is awaiting validation of these amounts from LACERS and LAFPP. Significant changes to the amounts, however, are not expected. The issuance of the TRAN provides the City with the funds to make the annual contributions in July to take advantage of the discount (\$42.9 million). This July payment will allow LACERS and LAFPP to earn additional

interest, which will discount the required City contributions without reducing their annual receipts. The discount represents actual savings that result from the City paying the total annual contributions by July 15, 2022 compared to paying on a bi-weekly basis throughout the fiscal year.

The Controller has requested up to \$600 million in cash flow borrowing to alleviate short-term cash flow deficits. Historically, borrowing externally in the municipal market has been less expensive than borrowing internally from special revenue funds. Conditions, however, have reversed as current market rates on short-term municipal notes are above the City's forecasted general pool rate for 2022-23 (1.62 percent). Based on the review of estimated available cash balances of the City's special revenue funds, the Controller requests that the City borrow up to \$300 million from special revenue funds to assist with cash flow management. This Office supports the Controller's request and recommends that the City issue \$300 million in notes through the TRAN financing and borrow the remaining \$300 million from special revenue funds in accordance with Charter Section 340(b), which allows the Treasurer and Controller, when authorized by the City Council, to make temporary transfers from the funds of the City to provide funds for meeting the City's obligations.

The estimated cost savings of financing \$300 million through the TRAN and borrowing the remaining \$300 million from special revenue funds compared to financing the entire \$600 million needed for cash flow management through the TRAN is \$1.83 million. The Controller has provided a list of special revenue funds from which it anticipates the City can borrow to address short-term cash flow deficits (Exhibit D).

Assuming the City Council approves the special revenue fund borrowing of \$300 million for cash flow management, the CAO anticipates a note issuance size of approximately \$1.57 billion. Based on current market conditions, total debt service will be approximately \$1.63 billion, to be repaid in June 2023 from collected General Fund revenues and taxes set aside during the fiscal year. The estimated interest cost of the TRAN is \$61.5 million. The interest cost is offset by additional premium proceeds, LACERS and LAFPP discounts, and interest income. Therefore, the issuance of the TRAN will result in a net savings of approximately \$14.8 million to the General Fund. The request for a not-to-exceed amount of \$2.0 billion is a cushion against unforeseen market conditions, adjustments to the LACERS and LAFPP annual contribution amounts, and the possibility that it will be more cost-effective to issue notes for the entire \$600 million needed for cash flow management.

Given the large note issuance size, market volatility, and investor concerns about the City's economic recovery from the COVID-19 pandemic, a negotiated sale gives the City flexibility in the timing of the sale, with the goal of receiving the lowest true interest cost. The expected sale date will occur during the fourth week of June. The CAO recommends to sell the notes on a negotiated basis by three underwriting firms selected from the approved qualified list of underwriters (C.F. 22-0195): Citigroup Global Markets Inc. as senior manager, Ramirez & Co., Inc. (MBE) as co-senior manager, TD Securities (USA) LLC as co-manager (collectively the "Underwriters"). The Underwriters will coordinate an investor outreach program to market the notes to institutional and retail investors. The Underwriters have submitted their statements of corporate citizenship pursuant to the City's Responsible Banking Ordinance.

To proceed with the issuance, the Mayor and City Council must adopt the Authorizing Resolution (Attachment A), which provides for the issuance and sale of the TRAN in an aggregate amount not to exceed \$2.0 billion.

FISCAL IMPACT STATEMENT

The proposed 2022 TRAN financing will result in estimated net savings of \$14.8 million to the General Fund. The estimated total debt service cost is \$1.63 billion, which the City will repay from collected General Fund revenues and taxes. There is no fiscal impact as the 2022-23 Adopted Budget includes sufficient funding for the repayment of the notes and the interest on special revenue fund borrowing.

DEBT IMPACT STATEMENT

There is no impact to the City's debt capacity as this transaction represents a short-term borrowing, which the City will repay within the same fiscal year.

FINANCIAL POLICY COMPLIANCE

The recommendations in this report comply with the City's Financial Policies as the recommended actions use current revenues and balances to pay for current operations.

FINDINGS

Background

The TRAN constitutes a short-term borrowing in which cash is borrowed and repaid within the same fiscal year. Therefore, the TRAN does not affect the Mayor and City Council approved limit of 15 percent of Total Direct Debt Service to General Revenues or the limit of six percent of Non-Voter Approved Debt Service to General Revenues.

Los Angeles City Employees' Retirement System (LACERS) Portion

The 2022-23 Adopted Budget appropriates funds to pay debt service on notes issued to finance the City's annual contribution payment to LACERS. If the City paid its contribution to LACERS on a bi-weekly basis, the total contribution would be approximately \$658.6 million. The City receives a discount for paying the contribution in whole at the beginning of the fiscal year, reducing the payment to \$636.5 million and resulting in savings of \$22.0 million.

Los Angeles Fire and Police Pension Plan (LAFPP) Portion

The 2022-23 Adopted Budget appropriates funds to pay debt service on notes issued to finance the City's annual contribution payment to LAFPP. If the City paid its contribution to LAFPP on a bi-weekly basis, the total contribution would be approximately \$681.8 million. The City receives a discount for paying the contribution in whole at the beginning of the fiscal year, reducing the contribution to \$660.9 million and resulting in savings of \$20.9 million.

Cash Flow Portion

The Controller has requested up to \$600 million in cash flow borrowing to alleviate short-term cash flow deficits that occur in the first half of the fiscal year because the City receives the majority of General Fund revenue during the second half of the year. Historically, borrowing externally in the municipal market to address cash flow deficits has been less expensive than borrowing from special revenue funds. Conditions, however, have reversed as current market rates on short-term municipal notes are above the City's forecasted general pool rate for 2022-23 (1.62 percent). Based on its review of the estimated available cash balances of the City's special revenue funds, the Controller requests that the City borrow \$300 million from special revenue funds to assist with cash flow management. This Office supports the Controller's request and recommends that the City issue \$300 million in notes through the TRAN financing and borrow the remaining \$300 million from special revenue funds in accordance with Charter Section 340(b), which allows the Treasurer and Controller, when authorized by the City Council, to make temporary transfers from the funds of the City to meet the City's obligations, on condition that no such transfers shall be made after the last Monday in April.

The estimated cost savings of financing \$300 million through the TRAN and borrowing the remaining \$300 million from special revenue funds compared to financing the entire \$600 million for cash flow management through the TRAN is \$1.83 million. The Controller has provided a list of special revenue funds from which it anticipates the City can borrow to address short-term cash flow

deficits (Exhibit D). The Controller anticipates initiating the internal borrowing in October 2022 and repaying the special revenue funds in December 2022. Prior to each borrowing, the Controller will discuss with the appropriate fund managers the amount that the General Fund can borrow without adversely affecting the operation of the fund. Where the special revenue fund is entitled to interest, borrowed funds will be returned with interest. In a subsequent Financial Status Report, this Office will recommend that the City Council transfer appropriations from the TRAN Debt Service Fund to pay for interest costs attributed to the internal borrowing discussed above. The 2022-23 Adopted Budget provides sufficient funds in the TRAN Debt Service Fund to pay for the estimated debt service on the TRAN financing as well as the estimated interest on the special fund borrowings for cash flow management.

Section 5852.1 of the California Government Code

Section 5852.1 of the California Government Code requires that, prior to the authorization of the issuance of bonds with a term greater than 13 months, the governing body of a public entity shall obtain and disclose specified information regarding the bonds in a meeting open to the public. While this Office expects that the term of the TRAN will be no more than 13 months, out of an abundance of caution, this Office has provided financing information consistent with Section 5852.1 as detailed in the table below. The amounts below are good faith estimates and subject to change as interest rates are dependent on market conditions at the time of issuance.

- True interest cost (TIC) of the notes
- Finance charge of the bonds (“Cost of Issuance”)
- Amount of proceeds received from the sale of the bonds (“Total Par”)
- Total payment (“Total Debt Service”)

Series	TIC	Cost of Issuance	Total Par	Total Debt Service*
2022 TRAN	2.27%	\$ 871,615.00	\$ 1,572,050,000.00	\$ 1,633,534,622.23

*The 2022-23 Adopted Budget includes an appropriation of \$1,336,147,626 for total debt service. This appropriated amount does not include the principal portion of the TRAN for the Controller’s cash flow portion because this principal is treated as temporary borrowing rather than as expenditure. To meet Government Code Section 5852.1 reporting requirements, the debt service amount reflected above includes the principal portion for cash flow.

Required Documents

To proceed with the issuance of the TRAN, the Mayor and City Council will need to approve the Authorizing Resolution (Attachment A). The Authorizing Resolution provides for the issuance and sale of the TRAN in an aggregate amount not to exceed \$2.0 billion. The following documents have been attached for approval as to form as described in the Authorizing Resolution:

- Note Purchase Contract, which is an agreement between the City and the Underwriters for the sale and purchase of the notes by the Underwriters (Exhibit A);
- Preliminary Official Statement, including Appendix A, the City’s Information Statement, which is the primary disclosure and marketing document for the TRAN (Exhibit B); and
- Costs of Issuance Agreement, which is an agreement between the City and the Custodian to provide for the administration of the bond proceeds to pay costs of issuance (Exhibit C).

Financing Team

The financing team is comprised of Montague DeRose & Associates, LLC as municipal advisors, Nixon Peabody LLP as note counsel, and Hawkins Delafield & Wood LLP, as disclosure counsel. The underwriting team is comprised of Citigroup Global Markets Inc. as senior manager, Ramirez & Co., Inc. (MBE) as co-senior manager, and TD Securities (USA) LLC as co-manager. The Mayor and City Council previously approved the financing team members on qualified lists (C.F. 17-1388, C.F. 22-0248, and C.F. 22-0195).

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Attachments

- Attachment A – Authorizing Resolution
- Exhibit A – Note Purchase Contract
- Exhibit B – Preliminary Official Statement
- Exhibit C – Costs of Issuance Agreement
- Exhibit D – List of Borrowable Special Revenue Funds

Attachment A – Authorizing Resolution

RESOLUTION OF THE COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA PROVIDING FOR THE BORROWING OF FUNDS FOR FISCAL YEAR 2022-23 AND AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$2,000,000,000 OF 2022 TAX AND REVENUE ANTICIPATION NOTES FOR SUCH PURPOSE, APPROVING THE FORM AND AUTHORIZING THE PREPARATION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT AND A PURCHASE CONTRACT IN CONNECTION WITH THE SALE OF SUCH NOTES AND AUTHORIZING CERTAIN OTHER MATTERS WITH RESPECT THERETO

WHEREAS, the City of Los Angeles (the “City”) is organized pursuant to a freeholders’ charter approved by the electorate of the City on June 8, 1999 and adopted, in accordance with Section 109 of said Charter, on the date of filing of the charter with the California Secretary of State, as amended from time to time (the “City Charter”); and

WHEREAS, Section 361 of the City Charter provides that, except for revenue bonds issued pursuant to Section 609 of the City Charter or related ordinance or other bonded indebtedness issued pursuant to other procedural ordinance, the laws of the State of California establishing the procedure for the creation of bonded indebtedness in force at the time any bonded indebtedness is created by the City shall, so far as applicable, be followed; and

WHEREAS, pursuant to Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Act”), on or after the first day of any fiscal year, local agencies (including cities) may borrow money by issuing notes for any purpose for which the local agency is authorized to expend moneys, including but not limited to current expenses, capital expenditures and the discharge of any obligation or indebtedness of the local agency; and

WHEREAS, pursuant to Section 53853 of the Act, the Council of the City (the “Council”) has found and determined that a sum of up to \$2,000,000,000 is needed for the requirements of the City to satisfy obligations payable from the General Fund of the City (the “General Fund”), and that it is necessary that an amount up to said sum be borrowed for such purpose at this time by the issuance of notes (the “Notes”) therefor in anticipation of the receipt of taxes, revenues and other moneys to be received by the City for the General Fund during or allocable to Fiscal Year 2022-23; and

WHEREAS, pursuant to Section 53856 and Section 53857 of the Act, the Notes shall be a general obligation of the City, and shall be paid with interest thereon from the taxes, income, revenues (including, but not limited to, revenues from state and federal governments), cash receipts and other moneys deposited in inactive or term deposits of the City and any other moneys of the City lawfully available therefor (but excepting certain moneys of the City, including moneys encumbered for a special purpose), as set forth herein; and

WHEREAS, this Resolution specifies that certain revenues which will be received by the City for the General Fund during or allocable to Fiscal Year 2022-23 shall be set aside in the

Debt Service Fund (as defined in Section 2) at the times and in the amounts hereinafter provided, and such moneys so set aside are pledged for the payment of the Notes; and

WHEREAS, the Notes shall be payable no later than 15 months after the date of issue, as permitted by Section 53854 of the Act, and shall be payable only from revenues received or accrued during the fiscal year in which issued; and

WHEREAS, notwithstanding Section 53854 of the Act and Section 3 below, Section 53531 of the Government Code of the State of California permits the Notes to bear interest at a rate not exceeding twelve percent (12%) per annum; and

WHEREAS, the Notes are being issued to finance an amount up to the maximum anticipated cumulative cash flow deficit of the City for the period for which taxes or other revenues of the City (other than the proceeds of the Notes) are anticipated and during which the Notes are outstanding, all as permitted and provided in the Income Tax Regulations of the United States Treasury; and

WHEREAS, Section 53853 of the Act provides that the Notes shall be issued pursuant to a resolution adopted by the legislative body of the city authorizing the issuance thereof; and

WHEREAS, the Council hereby finds and determines that Notes in the amount of \$2,000,000,000, when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including but not limited to revenue from the State of California and the federal government), cash receipts and other moneys of the City for the General Fund attributable to Fiscal Year 2022-23 and available for the payment of the Notes and the interest thereon, as required by Section 53858 of the Act; and

WHEREAS, pursuant to the provisions of Section 13 hereof, the Council may, by adoption of a resolution relating thereto, find and determine that an additional amount of notes of the City shall be issued by the City, in addition to the Notes hereby issued, which notes, if and when issued by the City, shall be payable from the uncollected taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys of the City for the General Fund attributable to Fiscal Year 2022-23 and available for the payment of the additional notes and the interest thereon, provided, however, that such additional notes shall be payable on a date subsequent to the maturity date of the Notes and the interest thereon; and

WHEREAS, the City Administrative Officer finds and recommends that, pursuant to Sections 371(e)(2) and 371(e)(10) of the City Charter, due to the benefits of maintaining flexibility and control of the timing and manner of the sale of the Notes in current market conditions, and upon the advice of its municipal advisor, the use of competitive bidding required under Section 371 of the City Charter to sell the Notes would be undesirable and impractical and that it is in the best financial interest of the City to propose to sell the Notes through negotiated underwriting processes, provided that, if circumstances should change, nothing herein shall preclude the City from selling the Notes on a competitive basis; and

WHEREAS, the Notes are proposed to be sold through a negotiated sale pursuant to a Note Purchase Contract (the “Purchase Contract”), by and among the City and Citigroup Global Markets Inc., on behalf of itself and Ramirez & Co., Inc., and TD Securities (USA) LLC, as underwriters (the “Underwriters”), a form of which has been presented to this meeting; and

WHEREAS, the City will distribute a preliminary official statement (the “Preliminary Official Statement”), a form of which has been presented to this meeting, and a final official statement relating to the Notes in connection with the public offering of the Notes; and

WHEREAS, the City Administrative Officer has determined that the proposed issuance of the Notes complies with the City’s Financial Policies – Debt Management Policy; and

WHEREAS, Section 53851 of the Act states that the powers conferred by the Act are in addition to any other powers conferred by law and any amount borrowed pursuant to the authority of the Act shall not be considered in any limitation on the amount which may be borrowed by the City under any other law applicable to it; and

WHEREAS, all acts, conditions and things required by the Constitution, laws of the State of California and the Charter of the City to exist, to have happened and to have been performed precedent to the adoption of this Resolution and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner (or, as applicable, will happen and be performed in regular due time, form and manner) as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, be it resolved by the Council of the City of Los Angeles, as follows:

Section 1. Recitals True and Correct. The recitals set forth above are true and correct, and this Council so finds and determines and incorporates such recitals into this Resolution by reference.

Section 2. Definitions. The following terms when used in this Resolution shall have the meanings set forth below, unless the context clearly requires that such term be given a different meaning:

“Act” means Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code.

“City” means the City of Los Angeles, California.

“City Administrative Officer” means the City Administrative Officer or any Assistant City Administrative Officer, including any Acting Assistant City Administrative Officer, or a designee thereof.

“City Attorney” means the City Attorney or any Assistant City Attorney or Deputy City Attorney.

“City Treasurer” means the City Treasurer, any Assistant City Treasurer, any Acting City Treasurer, or a designee thereof.

“Code” means the Internal Revenue Code of 1986, as amended, and any Regulations of the U.S. Department of Treasury promulgated thereunder.

“Custodian” means Zions Bancorporation, National Association.

“Debt Service Fund” means the “Tax and Revenue Anticipation Notes, Debt Service Fund,” a special fund so designated and established by the City in the City Treasury pursuant to the Ordinance, or, at the discretion of the City Administrative Officer, with a bank or trust company in the name of the City for the benefit of the owners of the Notes.

“General Fund” means the General Fund of the City.

“General Pool” means the City of Los Angeles Pooled Investment Fund General Pool.

“Listed Event” shall have the meaning given such term in Section 14 hereof.

“Note Proceeds Fund” means the “Tax and Revenue Anticipation Notes, Note Proceeds Fund,” a special fund so designated and established by the City in the City Treasury pursuant to the Ordinance.

“Notes” means the notes of the City issued pursuant to this Resolution, and designated as provided in Section 3 hereof, consisting of the Tax-Exempt Notes and the Federally Taxable Notes (as defined in Section 3 hereof).

“Ordinance” means the ordinance adopted by the Council for the purpose of maintaining the Debt Service Fund and the Note Proceeds Fund under Section 5.167.1 of the Los Angeles Administrative Code.

“Paying Agent” means the City Treasurer, acting as Paying Agent for the Notes, appointed by the City pursuant to Section 19 hereof, or such alternate paying agent appointed at the discretion of the City Administrative Officer pursuant to Section 19 hereof.

“Purchase Contract” means the Note Purchase Contract by and among the City and one or more of the Underwriters, providing for the initial purchase and sale of the Notes.

“Repository” shall have the meaning given such term in Section 14 hereof.

“Tax Certificate” means the Tax Compliance Certificate to be executed and delivered by the City on the date the Notes are issued.

“Underwriters” means Citigroup Global Markets Inc., Ramirez & Co., Inc., and TD Securities (USA) LLC.

“Unrestricted Moneys” has the meaning given such term in Section 6 hereof.

Section 3. Authorization of Notes. Solely for the purpose of anticipating taxes, revenues and other moneys to be received by the City for the General Fund during or allocable to Fiscal Year 2022-23, and not pursuant to any common plan of financing with other debt issues of the City, the City hereby determines to and shall borrow the aggregate principal sum of not to exceed \$2,000,000,000 by the issuance of Notes under and in accordance with the Act, portions of which may be issued on a tax-exempt basis (the “Tax-Exempt Notes”) or federally taxable basis (the “Federally Taxable Notes”), as the City Administrative Officer shall determine. The Notes shall be designated “City of Los Angeles, California 2022 Tax and Revenue Anticipation Notes”, with such series designations as the City Administrative Officer shall determine, with an appropriate designation if more than one note is issued, shall be in fully registered form, shall be numbered R-1 (and consecutively upward in order of issuance if more than one Note is registered), shall be in denominations of \$5,000 and integral multiples thereof, shall be issued on any date in Fiscal Year 2022-23 on or after July 1, 2022, shall be dated their date of issuance, shall mature on any date or dates not later than 15 months from their date of issuance, and shall bear interest, payable on or before maturity and computed on the basis of a 360-day year consisting of twelve 30-day months at a rate not in excess of six percent (6%) per annum. All Notes may bear interest at the same rate of interest notwithstanding that the maturities of the Notes may differ. The Notes may be offered in such series, with such maturity dates, at such interest rates and at such premium or discount from the par amount thereof and in accordance with such other terms and conditions as are consistent with the provisions of this Resolution and as may be determined by the City Administrative Officer and reflected in the Purchase Contract. Both the principal of and interest on the Notes shall be payable upon surrender thereof on or after their date or dates of maturity, in lawful money of the United States of America, at the office of the Paying Agent, provided that Notes maturing more than 12 months from their date of issue may have an additional interest payment date within such 12 months on which the Paying Agent will pay accrued interest without requiring the surrender of such Notes. The Notes shall not be subject to call or redemption prior to their stated maturity or maturities.

The definitive terms of the Notes, including the final par amount of each series of the Notes to be sold, the interest rate to be borne by each series of the Notes, the premium on the par amount of each series of the Notes which will be accepted by the City, if any, the maturity date of each series of the Notes and the amount of Unrestricted Moneys to be set aside to pay principal of and interest on the Notes at maturity, shall be conclusively established by the City Administrative Officer’s execution and delivery of the Purchase Contract reflecting such terms.

Except as provided below, the holder of all of the Notes shall be The Depository Trust Company, New York, New York (“DTC”) and the Notes shall be initially registered in the name of Cede & Co., as nominee for DTC. The Notes shall be initially executed and delivered in the form of a single fully registered Note for each maturity or series of Notes in the aggregate principal amount of the Notes of such maturity or series; provided that multiple certificates for the aggregate principal amount of the Notes may be executed and delivered by the City as may be required to comply with DTC requirements or if there are multiple registered owners of the Notes. The City may treat DTC (or its nominee) as the sole and exclusive owner of the Notes registered in its name for all purposes of this Resolution, and the City shall not be affected by any notice to the contrary. The City shall not have any responsibility, liability or obligation to

any participant of DTC (a “Participant”), any person claiming a beneficial ownership interest in the Notes under or through DTC or any Participant, or any other person who is not shown on the register of the Paying Agent as being a holder, with respect to the accuracy of any records maintained by DTC or any Participant or the payment or failure to pay by DTC or any Participant of any amount in respect of the principal or interest with respect to the Notes. The Paying Agent shall pay all principal and interest with respect to the Notes only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations with respect to the principal of and interest on the Notes to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC shall receive Note certificates. Upon delivery by DTC to the Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term “Cede & Co.” in this Resolution shall refer to such new nominee of DTC.

If the City determines that it is in the best interest of the beneficial owners that they be able to obtain Notes in certificated form and delivers a written certificate to DTC to that effect, DTC would notify the Participants of the availability through DTC of certificates evidencing the Notes. In such event, the City shall issue, transfer and exchange Notes as requested by DTC and any other holders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City shall be obligated to deliver Notes as described in this Resolution. Whenever DTC requests the City to do so, the City will cooperate with DTC in taking appropriate action after reasonable notice to (a) make available one or more separate Notes evidencing the Notes to any DTC Participant having Notes credited to its DTC account or (b) arrange for another securities depository to maintain custody of certificates evidencing the Notes.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Note is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and interest on such Notes and all notices with respect to such Notes shall be made and given, respectively, to DTC as provided in the Letter of Representation delivered by the City to DTC on or prior to the date of issuance of the Notes.

Section 4. Registration. The Notes shall be issued in fully registered form, and shall be substantially in the form set forth in Exhibit A attached hereto and by reference incorporated herein, with such series designations, maturity dates and additional terms and amounts to be included as appropriate. There shall be attached to each Note a copy of the legal opinion of Nixon Peabody LLP, Note Counsel to the City, respecting the validity of said Notes and the exemption from federal income taxation of the Tax-Exempt Notes.

Subject to the provisions of Section 3 hereof, the registration of any Note may, in accordance with its terms, be transferred upon the registration books kept by the Paying Agent for such purpose, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Paying Agent.

Whenever any Note or Notes shall be surrendered for registration or transfer, the Paying Agent shall execute and deliver a new Note or Notes, for a like aggregate principal amount. The Paying Agent shall require the Note owner requesting such registration of transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The City may require the owner requesting such registration of transfer to pay such additional reasonable charge as may be necessary to cover customary expenses incurred and fees charged by the Paying Agent or the City with respect to such registration of transfer. The City and the Paying Agent may treat the registered owner of any Note as the absolute owner thereof for all purposes whatsoever in accordance with this Resolution and the City and the Paying Agent shall not be affected by any notice to the contrary.

Subject to the provisions of Section 3 hereof, Notes of any series may be exchanged at the office of the Paying Agent in Los Angeles, California for a like aggregate principal amount of Notes of such series in other authorized denominations. The Paying Agent shall require the payment by the Note owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The City may require the owner requesting such exchange to pay such additional reasonable charge as may be necessary to cover customary expenses incurred and fees charged by the Paying Agent or the City with respect to such exchange.

Section 5. Proceeds of Notes; Note Proceeds Fund; Costs of Issuance. Except as provided in Section 20 hereof, the proceeds of the sale of the Notes, including any premium paid by any purchaser of the Notes, shall be deposited in the Note Proceeds Fund and used and expended by the City for any purpose for which the City is authorized to expend funds from the General Fund, including, but not limited to, current expenses, capital expenditures, investment and reinvestment, and the discharge of any obligation or indebtedness of the City. The costs of issuing the Notes are hereby authorized to be paid by the City Administrative Officer from amounts held in the Note Proceeds Fund.

Section 6. Source of Payment; Set-Aside Amounts. The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenues (including but not limited to revenues from state and federal governments), cash receipts and other moneys which are received or accrued by the City for the General Fund during Fiscal Year 2022-23 and which are available for the payment of current expenses and other obligations of the City but excluding moneys encumbered for a special purpose ("Unrestricted Moneys"). As security for the payment of the principal of and interest on the Notes the City hereby agrees to deposit in the Debt Service Fund: (a) not later than January 25, 2023, from the Unrestricted Moneys received or accrued by the City during the Fiscal Year 2022-23, an amount equal to 20% of the total principal and interest due on all of the Notes; (b) not later than February 24, 2023, from the Unrestricted Moneys received or accrued by the City during the Fiscal Year 2022-23, an amount equal to 20% of the total principal and interest due on all of the Notes; (c) not later than March 24, 2023, from the Unrestricted Moneys received or accrued by the City during the Fiscal Year 2022-23, an amount equal to 20% of the total principal and interest due on all of the Notes; (d) not later than April 24, 2023, from the Unrestricted Moneys received or accrued by the City during the Fiscal Year 2022-23, an amount equal to 20% of the total principal and interest due on all of the Notes; and (e) not later than May 25, 2023, from the Unrestricted Moneys received or accrued by the City during Fiscal Year 2022-23, an amount equal to 20% of

the total principal and interest due on all of the Notes. All amounts that are deposited by the City in the Debt Service Fund in accordance with this Section 6 are pledged to the payment of the Notes; provided, however, that the City Administrative Officer is hereby authorized, at his or her discretion, to approve any adjustment to the dates and amounts of such deposits that he or she believes to be in the best interests of the City, such approval to be conclusively evidenced by the City Administrative Officer's execution and delivery of the Purchase Contract reflecting such terms.

The City hereby pledges, with a first statutory lien pursuant to Section 53856 of the California Government Code, any Unrestricted Moneys to secure the payment of the principal of the Notes and the interest thereon, including amounts set aside in the Debt Service Fund and pledged to the Notes in accordance with this Section 6. The City also pledges the Unrestricted Moneys to secure all deposits to the Debt Service Fund. In the event there are insufficient Unrestricted Moneys received by the City to permit the deposit into the Debt Service Fund of the full amount required to be deposited on the applicable date set forth in the preceding paragraph, then the amount of the deficiency shall be satisfied and made up from the first Unrestricted Moneys of the City in the month next following said date.

The City covenants and agrees that, not later than the date of sale of the Notes, there shall have been appropriated from the General Fund in the Fiscal Year 2022-23 a sum sufficient to pay the principal of and interest on the Notes due and payable from the funds of such Fiscal Year. Appropriate officials of the City shall do and perform each and every act that is necessary to collect and apply, and to provide for the collection and application of, a sum sufficient to pay the principal of and interest on the Notes on or before the maturity date(s) thereof.

THE NOTES SHALL NOT IN ANY WAY BE CONSTRUED TO BE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY APPLICABLE CONSTITUTIONAL OR STATUTORY LIMITATION OR REQUIREMENT CONCERNING THE CREATION OF INDEBTEDNESS BY THE CITY, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, NOR WILL ANYTHING CONTAINED IN THIS RESOLUTION CONSTITUTE, EXCEPT AS EXPRESSLY SET FORTH HEREIN, A PLEDGE OF GENERAL REVENUES, FUNDS OR MONEYS OF THE CITY. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL AND INTEREST WITH RESPECT TO THE NOTES IS NOT AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY TAX OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY TAX.

Section 7. Debt Service Fund. The Debt Service Fund shall be held by the City among its City Treasury funds and accounts and separately accounted for by the City, or at the discretion of the City Administrative Officer, by a bank or trust company to be determined by the City Administrative Officer. All amounts in the Debt Service Fund shall be held in trust for the benefit of the holders of the Notes and any additional notes issued pursuant to Section 13 hereof and subject to the limitations provided in Section 13, and until such Notes and any additional notes and all interest thereon are paid or until provision has been made for the payment of such Notes and any additional notes at maturity with interest to maturity, the moneys in the Debt Service Fund shall be applied only to pay the principal of and interest on such Notes and any additional notes at maturity. Any moneys remaining in the Debt Service Fund after such Notes

and any additional notes and the interest thereon have been fully paid, or provision for such payment has been made, shall be released and transferred to the City for deposit into the General Fund.

Section 8. Investment of Moneys in Note Proceeds Fund and Debt Service Fund. Moneys in the Note Proceeds Fund and the Debt Service Fund may be invested in any authorized investment permitted for the investment of moneys in the General Pool of the City. Moneys in the Note Proceeds Fund and the Debt Service Fund shall be invested in the General Pool of the City. Investment earnings on amounts held in the Note Proceeds Fund shall be held in and credited to the Note Proceeds Fund until June 29, 2023, and on and after such date, all amounts remaining in the Note Proceeds Fund, if any, shall be credited and transferred to the Debt Service Fund and applied, as a credit against the amounts required to be deposited by the City in the Debt Service Fund pursuant to Section 6 hereof, to the payment of principal of and interest due on the Notes at or before the final maturity thereof. Investment earnings on the Debt Service Fund, if any, shall be credited to and retained in such fund until the payment of the Notes at their maturity(ies). Any moneys remaining in the Note Proceeds Fund after the Notes and the interest thereon have been fully paid, or provision for such payment has been made, including any investment earnings earned prior to June 29, 2023 but not credited to the Note Proceeds Fund until the final maturity date of the Notes shall be released and transferred to the City for deposit into the General Fund.

Section 9. Findings Related to Negotiated Sale of the Notes. Pursuant to Sections 371(e)(2) and 371(e)(10) of the City Charter, the Council hereby adopts the findings and recommendations of the City Administrative Officer that, due to the benefits of maintaining flexibility and control of the timing and manner of the sale of the Notes in current market conditions, and upon the advice of its municipal advisor, the use of competitive bidding required under Section 371 of the City Charter to sell the Notes would be undesirable and impractical and that it is in the best financial interest of the City to propose to sell the Notes through negotiated underwriting processes with the Underwriters. The Council hereby approves the City Administrative Officer's recommendation of the Underwriters. The City Administrative Officer or his designee may approve additional underwriters to participate in the underwriting syndicate as the City Administrative Officer or his designee shall approve as being in the best interests of the City, such approval to be conclusively evidenced by the City Administrative Officer's execution and delivery of the Purchase Contract.

Section 10. Sale of Notes; Purchase Contract. The Purchase Contract, a form of which is before this Council and on file in the Office of the City Administrative Officer, is hereby approved, and the City Administrative Officer is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver one or more purchase contracts in substantially the form of the Purchase Contract considered at this meeting, with such additions and changes therein as the City Administrative Officer shall determine is necessary or desirable or otherwise approve as the City Administrative Officer believes to be in conformity with the interests of the City, and as approved as to form by the City Attorney, such determination and approval to be conclusively evidenced by the City Administrative Officer's execution and delivery of such Purchase Contract, with such additions or changes. The Underwriters' discount shall not exceed 0.20% of the principal amount of the Notes being purchased.

Section 11. Execution of Notes. The Mayor of the City and the City Treasurer are each hereby authorized to sign the Notes by manual or facsimile signature, and the City Clerk and any Deputy City Clerk are each hereby authorized to countersign the same by manual or facsimile signature; provided that at least one of the aforesaid signatures is manual. Said officers are hereby authorized to cause the blank spaces thereof to be filled in as may be appropriate, and to authenticate the Note or Notes, if necessary or desirable to effectuate the purposes of this Resolution and not inconsistent with the provisions hereof.

Section 12. Delivery of Notes and Related Documents. The officers of the City are hereby authorized and directed to deliver the Notes and to take such other actions to accomplish the issuance and delivery thereof pursuant to this Resolution, including the execution and delivery of any additional agreements and the execution and delivery of such certificates and documents as are referred to in the Purchase Contract. All of the agreements contemplated by this Resolution may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Facsimile signatures or signatures scanned into a portable document format (.pdf file) (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures, unless stated otherwise in the agreement. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Notes are hereby approved, conformed and ratified, and the Mayor of the City, City Administrative Officer, City Controller, City Treasurer and their designees are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this Resolution and all other applicable law.

Section 13. Issuance of Additional Notes. The Council may, by adoption during the Fiscal Year 2022-23 of a resolution relating thereto, find and determine that additional notes of the City, in an amount in addition to \$2,000,000,000 of Notes authorized hereunder, but not exceeding the limitation of Section 53858 of the Act, shall be issued by the City pursuant to the Act. The additional notes, if and when issued by the City, and the interest payable thereon, shall be payable from Unrestricted Moneys on a date subsequent to the maturity date of the Notes and the interest thereon. The City covenants and agrees that the City will not establish any set-aside amounts from Unrestricted Moneys for such additional notes, and the additional notes will not be payable, on or before the maturity date of the Notes. Any additional notes issued to pay or refinance maturing Notes will not have a maturity date, and will not be paid, until after the Notes are paid.

Section 14. Reporting of Listed Events. Capitalized terms used herein shall have the meanings set forth at the end of this Section 14. The City hereby covenants and agrees as follows for the benefit of the holders of the Notes and to assist the Participating Underwriter in complying with the Rule:

Whenever the City knows or learns of the occurrence of a Listed Event, the City, in a timely manner not in excess of ten business days after the occurrence of the event, shall file a notice of such occurrence with each Repository. The City shall have no obligation under this

Section 14 to give further notices after the date of the defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event.

Notwithstanding any other provision of this Section 14, the City may amend this Section 14, and any provision of this Section 14 may be waived, provided that the following conditions are satisfied:

a) the amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c) the amendment or waiver either (i) is approved by the Note holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Note holders.

Nothing in this Section shall be deemed to prevent the City from disseminating any other information, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Resolution. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Resolution, the City shall have no obligation under this Resolution to update such information or include it in any future notice of occurrence of a Listed Event.

All notices to be provided under this Section 14 shall be filed in the manner as prescribed from time to time by the MSRB and the SEC.

In the event of a failure of the City to comply with any provision of this Section 14 any Note holder may take such actions as may be necessary and appropriate, including applicable legal remedies to cause the City to comply with its obligations under this Section 14. A default under this Section shall not be deemed an event of default under this Resolution, and the sole remedy under this Resolution in the event of any failure of the City to comply with this Section shall be an action to compel performance.

This Section shall inure solely to the benefit of the City, the Participating Underwriter and holders from time to time of the Notes and no other person shall have any rights hereunder.

“Listed Event” shall mean any of the following events relating to the Notes:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Tax-Exempt Notes, or other material events affecting the tax status of the Tax-Exempt Notes.
7. Modifications to rights of Note holders, if material.
8. Note calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the Notes, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the City; provided that for the purposes of the events described in this clause, such an event is considered to occur upon: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.
15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

“Financial Obligation” means a (A) debt instrument, (B) derivative instruments entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (C) guarantee of (A) or (B) above, but excluding municipal securities as to which a final official statement has been provided to MSRB consistent with the Rule.

“Note holders or owners” shall mean, while the Notes are registered in the name of The Depository Trust Company, or Cede & Co. or any other nominee thereof, any applicable participant in its depository system, or the owner of any Note for federal income tax purposes.

“Participating Underwriter” shall mean any of the original purchaser or purchasers of the Notes required to comply with the Rule in connection with offering of the Notes.

“Repository” means (a) the Electronic Municipal Market Access established by the Municipal Securities Rulemaking Board (“MSRB”) and (b) other repositories designated from time to time by the Securities and Exchange Commission (the “SEC”) in accordance with said Rule.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 15. Representations and Recitals Correct. It is hereby covenanted and warranted by the City that all representations and recitals contained in this Resolution are true and correct, and that the City and its appropriate officials have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the levy, collection and enforcement of the taxes, revenue, cash receipts and other moneys pledged hereunder in accordance with the law and for carrying out the provisions of this Resolution.

Section 16. Tax Covenant. The City hereby covenants to comply with all applicable requirements of Sections 103 and 141 through 150 of the Code necessary to maintain the exclusion of the interest on the Tax-Exempt Notes from gross income of the Owners of the Tax-Exempt Notes for federal income tax purposes. Without limiting the generality of the foregoing, the City shall deliver, concurrently with delivery of the Notes to the purchasers thereof, a Tax Certificate for the benefit of the owners from time to time of the Tax-Exempt Notes, in which the City shall affirm such covenant and make additional covenants regarding the qualification for and maintenance of the exclusion of interest on the Tax-Exempt Notes from gross income for federal income tax purposes. These covenants shall survive the payment in full or defeasance of the Tax-Exempt Notes. The City Administrative Officer is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver such Tax Certificate, and the City Administrative Officer and other appropriate officers of the City are hereby authorized to provide such certifications and representations in said Tax Certificate as to matters relating to the exclusion from gross income of the interest on the Tax-Exempt Notes, as they shall deem necessary or appropriate to accomplish the issuance and sale of the Tax-Exempt Notes.

Section 17. Notices to be Given under Resolution. Any notices required to be given to the City with respect to the Notes or this Resolution shall be mailed, first class, or personally delivered to the City Administrative Officer at the following address: City of Los Angeles, 200 North Main Street, City Hall East, Room 1500, Los Angeles, CA 90012, and all notices to the Paying Agent shall be mailed, first class, or personally delivered to the Paying Agent at the following address: City Treasurer, 200 North Spring Street, Room 201, Los Angeles, CA 90012, or such other address designated in writing by either the City or the Paying Agent, with a copy of each such notice to be emailed to the City Administrative Officer at cao.debt@lacity.org. Any notice may be delivered by email transmission to the City or the Paying Agent but shall only be effective if an original copy of said notice is also delivered by mail or personal delivery in accordance herewith.

Section 18. Preliminary and Final Official Statements. The Preliminary Official Statement relating to the Notes, in substantially the form and with substantially the content presented to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved, and the use of the Preliminary Official Statement (including by the Underwriters) in connection with the offering and sale of the Notes is hereby authorized and approved. The City Administrative Officer is hereby authorized and directed to cause to be made such changes, insertions and omissions in such form of the Preliminary Official Statement as are deemed necessary or desirable in order for the Preliminary Official Statement to be appropriately used for such purpose. The City Administrative Officer is hereby authorized and directed, for and in the name of and on behalf of the City, to certify to the Underwriters that the Preliminary Official Statement has been “deemed final” for purposes of the Rule (as defined in Section 14 hereof). The preparation and delivery of a final Official Statement (the “Official Statement”), and its use (including by the Underwriters) in connection with the offering and sale of the Notes is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by the City Administrative Officer, such approval to be conclusively evidenced by the execution and delivery of the Official Statement by the City Administrative Officer. The City Administrative Officer is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver the final Official Statement.

Section 19. Appointment of Paying Agent. The City hereby appoints the City Treasurer to act as paying agent for the Notes. The City Treasurer shall comply with all provisions of this Resolution expressly providing for actions to be taken or performed by him or her. The City Administrative Officer may, however, in his or her discretion, appoint a bank or trust company to act as a substitute paying agent to implement the provisions of Section 7 of this Resolution for the administration of the Debt Service Fund to be held in the name of the City for the benefit of the owners of the Notes and may enter into related agreements therefor providing for the establishment of necessary funds and accounts, compensation and other matters necessary or desirable to effectuate the purposes of this Resolution and not inconsistent with the provisions hereof.

Section 20. Appointment of Costs of Issuance Fund Custodian. The City hereby appoints Zions Bancorporation, National Association as custodian (the “Custodian”) of certain Note proceeds to be deposited with the Custodian and used for the payment of certain costs of issuance in connection with issuance of the Notes, and hereby directs the Custodian to establish a

fund in the name of the City for such purpose and to deposit and disburse such funds pursuant to the written direction of the City Administrative Officer or his designee. The City Administrative Officer is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver an agreement with the Custodian for such purposes.

Section 21. Provisions Constitute Contract. The provisions of this Resolution shall constitute a contract between the City and the holders of the Notes and the provisions hereof shall be construed in accordance with the laws of the State of California.

Section 22. Effective Date. This Resolution shall be effective immediately.

Approved as to Form:

MICHAEL N. FEUER, City Attorney

By:  _____
Deputy City Attorney

EXHIBIT A
FORM OF NOTE

Registered No.
R- _____

Registered
\$ _____

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CITY OF LOS ANGELES, CALIFORNIA
2022 TAX AND REVENUE ANTICIPATION NOTE
[SERIES [__]] [TAX-EXEMPT/FEDERALLY TAXABLE]

INTEREST RATE	NOTE DATE	MATURITY DATE	CUSIP
	July __, 2022		

PRINCIPAL SUM:

REGISTERED OWNER:

FOR VALUE RECEIVED, the City of Los Angeles (the “City”), State of California, promises to pay to the person named above, or lawful assigns (the “Registered Owner”) at the office of the City Treasurer of the City of Los Angeles, California (the “Paying Agent”) the principal sum shown above in lawful money of the United States of America, on the date shown above, together with interest thereon at the rate per annum shown above in like lawful money from the date hereof until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable to the holder hereof as the same shall fall due; provided, however, no interest shall be payable for any period after maturity during which the holder hereof fails to properly present this Note for payment. Interest on this Note shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that this Note is one of an authorized issue of Notes in the aggregate principal amount of \$ _____, all of like tenor, made, executed and given pursuant to and by authority of the Charter of the City and a Resolution of the City Council, duly adopted on June __, 2022 (the “Resolution”), under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2 of Title 5 of the California Government Code, and that all acts, conditions and things required to

exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the City, does not exceed any limit prescribed by the Constitution or statutes of the State of California. Capitalized undefined terms used herein shall have the meanings set forth in the Resolution.

The principal amount of this Note, together with the interest thereon, shall be payable from taxes, income, revenues (including, but not limited to, revenues from state and federal governments), cash receipts and other moneys which are received by the City for the General Fund for the Fiscal Year 2022-23 and which are available for the payment of current expenses and other obligations of the City but excluding moneys encumbered for a special purpose (“Unrestricted Moneys”). As security for the payment of the principal of and interest on the Notes, the City has agreed in the Resolution to set aside in the Debt Service Fund certain Unrestricted Moneys by the dates and in the amounts as provided therein. The principal of the Notes and the interest thereon are payable from such moneys set aside in the Debt Service Fund, and to the extent not so paid, shall be paid from any other moneys of the City lawfully available therefor. The City pledges, with a first statutory lien pursuant to Section 53856 of the California Government Code, any Unrestricted Moneys to secure the payment of the principal of the Notes and the interest thereon, including amounts deposited in the Debt Service Fund and pledged to the Notes pursuant to the provisions of the Resolution. The City also pledges the Unrestricted Moneys to secure all deposits to the Debt Service Fund.

This Note is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the office of the Paying Agent in Los Angeles, California, but only in the manner, subject to the limitations in the Resolution and this Note, and upon such surrender and cancellation of this Note. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount will be issued to the transferees in exchange therefor.

The City and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the City nor the Paying Agent shall be affected by any notice to the contrary.

IN WITNESS WHEREOF, the City of Los Angeles has caused this Note to be executed by the manual or facsimile signature of the City Treasurer and countersigned by the manual or facsimile signature of the City Clerk and has caused this Note to be dated the ___ day of July, 2022.

CITY OF LOS ANGELES

By _____
City Treasurer

Countersigned:

Deputy City Clerk

Exhibit A – Note Purchase Contract

**CITY OF LOS ANGELES, CALIFORNIA
2022 TAX AND REVENUE ANTICIPATION NOTES**

[\$[PAR AMOUNT]

NOTE PURCHASE CONTRACT

_____, 2022

City of Los Angeles
Office of the City Administrative Officer
200 North Main Street
Room 1500, City Hall East
Los Angeles, California 90012

Ladies and Gentlemen:

The undersigned, Citigroup Global Markets Inc. (the “Representative”), as representative for itself and the underwriters (hereinafter, collectively the “Underwriters”), offers to enter into the following purchase contract (this “Note Purchase Contract”) with the City of Los Angeles (the “City”), which, upon acceptance by the City, will be binding upon the City and the Underwriters. This offer is made subject to the written acceptance hereof by the City on or before 5:00 p.m., Los Angeles Time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written or oral notice given to the City at any time prior to the acceptance hereof by the City.

Section 1. Purchase and Sale.

(a) Upon the terms and conditions and upon the basis of the representations and agreements set forth herein, the Underwriters, jointly and severally, hereby agree to purchase, and the City hereby agrees to sell all (but not less than all) of \$[PAR AMOUNT] principal amount of the City of Los Angeles, California 2022 Tax and Revenue Anticipation Notes (the “Notes”). The Notes shall be dated the date of delivery thereof, and shall mature on the dates and in the amounts, and shall bear interest at the rates, all as set forth in Schedule I hereto. The purchase price for the Notes shall be \$ _____ representing the aggregate principal amount of the Notes, [plus a premium of \$ _____] less the Underwriters’ discount of \$ _____. On the Closing Date (as defined herein) the Representative shall deliver the amount of \$ _____ to the City (in accordance with written instructions provided by the City) representing the purchase price.

(b) The City has delivered or caused to be delivered to the Underwriters the City’s preliminary official statement, dated _____, 2022, relating to the Notes (such preliminary official statement, as supplemented by the Supplement to the Preliminary Official Statement, together with the cover page and any and all appendices thereto, being herein referred to as the “Preliminary Official Statement”). The City confirms that the Preliminary Official Statement was “deemed final” as of the date thereof, for purposes of Securities and Exchange Commission Rule 15c2-12

(“Rule 15c2-12”), except for certain information permitted to be omitted by Rule 15c2-12. The Notes are being offered pursuant to the City’s final official statement (including the cover page and all appendices thereto) relating to the Notes, dated _____, 2022 (the “Official Statement”). The Official Statement shall be in the form of the Preliminary Official Statement with only such changes as are necessary to reflect the sale of the Notes, and updates of information in the Preliminary Official Statement which updates, in the opinion of the Representative, are not material. Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings given such terms in the Official Statement.

Section 2. The Notes.

The Notes are being issued pursuant to the Charter of the City of Los Angeles (the “Charter”), Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Act”) and a resolution (the “Note Resolution”) adopted on _____, 2022, by the Council of the City of Los Angeles (the “City Council”). The terms and provisions of the Notes are set forth in the Note Resolution.

Section 3. Authority.

The Representative has been duly authorized to execute this Note Purchase Contract on behalf of the other Underwriters and has been duly authorized to act hereunder by and on behalf of the other Underwriters.

Section 4. Establishment of Issue Price.

(a) The Representative, on behalf of the Underwriters, agrees to assist the City in establishing the issue price of the Notes and shall execute and deliver to the City at Closing an “issue price” or similar certificate (or certificates), together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit E, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the City and Note Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Notes.

(b) The City will treat the first price at which 10% of each maturity of the Notes (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). Schedule I attached hereto sets forth the maturities of the Notes for which the 10% test has been satisfied as of the date of this Note Purchase Contract (the “10% Test Maturities”) and the prices at which the Underwriters have sold such 10% Test Maturities to the public. As shown in Schedule I, all of the maturities are 10% Test Maturities.

(c) The Representative confirms that the Underwriters have offered the Notes to the public on or before the date of this Notes Purchase Certificate at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit E. For the maturities, if any, of the Notes for which the 10% test has not been satisfied, the City and the Representative, on behalf of the Underwriters, agree (i) the Representative will retain all unsold Notes of each maturity for which the 10% test has not been satisfied and not allocate any such

Notes to any other Underwriter and (ii) the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the date hereof as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Notes, the Representative will neither offer nor sell unsold Notes of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The Representative will advise the City promptly after the close of the fifth (5th) business day after the sale date whether the Underwriters have sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

(d) The Representative confirms that:

- (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A) (i) to report the prices at which it sells to the public the unsold Notes of each maturity allocated to it, until either all Notes of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Notes of that maturity, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires,

(B) to promptly notify the Representative of any sales of Notes that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Notes to the public (each such term being used as defined below),

(C) to acknowledge that, unless otherwise advised by the Underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by the Underwriter, dealer or broker-dealer is a sale to the public.

- (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer

that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Notes of each maturity allocated to it, until either all Notes of that maturity allocated to it have been sold or it is notified by the Representative or such underwriter or dealer that the 10% test has been satisfied as to the Notes of that maturity, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the underwriter or the dealer and as set forth in the related pricing wires.

(e) The City acknowledges that, in making the representations set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the requirements for establishing the issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing the issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement to adhere to the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing the issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes.

(f) The Underwriters acknowledge that sales of any Notes to any person that is a related party to an underwriter participating in the initial sale of the Notes to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

- (i) “public” means any person other than an underwriter or a related party to an underwriter,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a

third-party distribution agreement participating in the initial sale of the Notes to the public),

- (iii) a purchaser of any of the Notes is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date of execution of this Note Purchase Contract by all parties.

Section 5. Official Statement, Delivery of Other Documents.

(a) The City shall deliver to the Underwriters, within seven business days of the date hereof, in sufficient time to accompany any confirmation to any customer, and in any event at least three business days prior to the Closing, the Official Statement, in such quantity as the Underwriters may reasonably request in order for the Underwriters to comply with the rules of the Municipal Securities Rulemaking Board (the “MSRB”) and Rule 15c2-12.

(b) The City shall include in the Preliminary Official Statement and the Official Statement a link to the Electronic Municipal Market Access (“EMMA”) website setting forth a downloadable version of the complete financial statements of the City for the fiscal year ended June 30, 2021 and shall specifically incorporate by reference those financial statements into the Preliminary Official Statement and the Official Statement.

Section 6. Use of Documents.

(a) The City authorizes the use by the Underwriters of the Note Resolution, the Official Statement (including any supplements or amendments thereto and including in electronic format), and the information therein contained, in connection with the public offering and sale of the Notes. The City also confirms its consent to the use by the Underwriters, prior to the date hereof, of the Preliminary Official Statement (including in electronic format) in connection with the public offering of the Notes.

(b) The Representative shall file the Official Statement, and any supplement or amendment thereto, with the MSRB via its EMMA system in accordance with the rules of the MSRB.

Section 7. Representations and Agreements of the City.

The City hereby represents as of the date hereof and agrees as follows:

(a) The City is duly created and existing under the Charter and the laws of the State of California.

(b) The City has the power under the Charter to (i) perform its obligations under the Note Resolution; (ii) execute, deliver and perform its obligations under this Note Purchase Contract; and (iii) execute and deliver the Notes to the Underwriters as provided herein.

(c) The City Council has the power under the Charter to adopt the Note Resolution.

(d) By all necessary City Council action (i) the Note Resolution has been duly adopted by the City Council; (ii) the City Council has duly approved the Preliminary Official Statement and the Official Statement; (iii) the City Council has duly authorized and approved the execution and delivery of, and the performance by the City of its obligations to provide the information described in and its obligations contained in the Note Resolution and this Note Purchase Contract; and (iv) the City Council has duly approved the execution of all certificates and other instruments necessary to effectuate the execution and delivery of the Notes, and the performance of such ministerial acts that are necessary in order to carry out the authority conferred by the Note Resolution or to evidence said authority and its exercise. In connection with the issuance of the Notes, the City has complied in all material respects, (i) with the laws of the State of California and of the United States and (ii) with its obligations on its part contained in the Note Resolution and this Note Purchase Contract.

(e) The Notes and the Note Resolution conform in all material respects to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement, and the City shall not permit any changes to the Notes, the Note Resolution, the Preliminary Official Statement or the Official Statement without the prior written consent of the Representative, which consent shall not be unreasonably withheld.

(f) At or prior to the Closing, the Note Resolution shall have been duly adopted by the City Council and this Note Purchase Contract and the Notes shall have been duly executed by the City and shall be legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and subject, as to enforceability, to the general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations in the State of California.

(g) Between the date of this Note Purchase Contract and the date of the Closing, except as contemplated by the Official Statement, the City will not incur or issue any material notes, bonds or obligations for borrowed money, other than in the ordinary course of business, and, except as contemplated by the Official Statement (including any issuance of commercial paper as described in the Official Statement), there shall not have been any material adverse change in the financial condition of the City other than changes in the ordinary course of business.

(h) The City is not in breach of or default under any applicable existing constitutional provision, law or administrative regulation of the State of California or the United States binding on the City or any existing applicable judgment, consent decree or court decree binding on the City or any existing loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which would materially adversely affect the ability of the City to pay the principal and interest on the Notes, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such an event of default which would have such effect under any such instrument; and the adoption of the Note Resolution and the execution and delivery of this Note Purchase Contract and the performance by the City of its obligations under the Note Resolution and this Note Purchase Contract will not conflict with or constitute a breach of or default under any existing constitutional provision, law or administrative regulation of the State of California or the United States binding on the City or any existing applicable judgment, consent decree or court decree binding on the City, or any existing loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party, which conflict, breach or default would materially adversely affect the ability of the City to pay the principal and interest on the Notes.

(i) Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no action, suit or proceeding, at law or in equity, before or by any court, pending against the City (service of process against the City having been made) or, to the knowledge of the officer of the City executing this Note Purchase Contract after due inquiry, overtly threatened (i) in any way questioning the existence of the City or the titles of the officers executing the Notes or this Note Purchase Contract to their respective offices; (ii) seeking to prohibit, restrain or enjoin the adoption of the Note Resolution, the execution or delivery of the Notes, or application of the proceeds of sale of the Notes, or in any way contesting the validity of the Note Resolution, the Notes or this Note Purchase Contract, or the tax-exempt status of interest due on the Notes or any authority for the execution and delivery of the Notes, or the execution and delivery by the City of this Note Purchase Contract; (iii) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or (iv) which would result in any material adverse change to the City's ability to perform its obligations under the Note Resolution or this Note Purchase Contract.

(j) The City will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriters as necessary (i) to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (ii) to determine the eligibility of the Notes for investment under the laws of such states and other jurisdictions, and will use its commercially reasonable efforts to continue such qualifications in effect so long as required for the distribution of the Notes; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(k) All approvals, consents and orders of any California or United States governmental authority having jurisdiction of the matter which are required for the due authorization of, which

would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with, the execution, sale and delivery of the Notes under this Note Purchase Contract have been obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Notes; and, except as disclosed in the Official Statement, all approvals, consents and orders of any California or United States governmental authority having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations under, the Note Resolution or this Note Purchase Contract have been obtained.

(l) The Preliminary Official Statement (other than the information contained in the Preliminary Official Statement with respect to The Depository Trust Company, New York, New York (“DTC”) and the book-entry system and information permitted to be omitted by Rule 15c2-12) did not, as of its date, and does not, as of the date hereof, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) As of its date, the Official Statement does not, and as of the Closing, the Official Statement will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no representation is made with respect to the information in the Official Statement relating to DTC or the book-entry system.

(n) If the Official Statement is supplemented or amended pursuant to subsection (p) of this Section 7, the City agrees that, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times during the period from the date of this Note Purchase Contract to and including the date which is 25 days after the end of the underwriting period (as determined in accordance with Section 17 hereof), the Official Statement, as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the City shall have no responsibility with respect to the information in the Official Statement relating to DTC or the book-entry system.

(o) Until twenty-five (25) days from the “end of the underwriting period” (as determined in accordance with Section 17 hereof), if any event shall occur or become known affecting the City which might adversely affect the marketability of the Notes or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriters thereof, and if in the opinion of the Representative such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will, at its expense, prepare and furnish to the Underwriters a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriters. After twenty-five (25) days from the “end of

the underwriting period,” the City will no longer be obligated to amend or supplement the Official Statement.

(p) For the benefit of the holders of the Notes and to assist the Underwriters in complying with Rule 15c2-12, the City is making certain undertakings relating to the filing of certain specified notices pursuant to Section 14 of the Resolution.

(q) The City’s Audited Financial Statements for the Fiscal Year ended June 30, 2021, fairly and accurately present the financial condition of the City as of that date, and, except as referred to in or contemplated by the Official Statement, there has not been, nor does the City reasonably anticipate that there will be, any adverse change of a material nature in the financial position, assets, properties, results of operations, or condition (financial or otherwise) of the City.

(r) During the last five years, the City has not failed to materially comply with any previous undertakings relating to continuing disclosure of information pursuant to Rule 15c2-12, except as noted in the Official Statement

(s) For the benefit of the holder of the Notes and to assist the Underwriters in complying with Rule 15c2-12, in the Note Resolution, the City covenants and agrees, to provide notices of the occurrence of certain enumerated events. A description of such undertaking is set forth in the Note Resolution.

Section 8. Closing.

At 8:30 a.m., Los Angeles time, on _____, 2022, or at such other time or on such later date as shall have been mutually agreed upon by the City and the Representative (the “Closing Date”), the City shall deliver through the book-entry facilities of DTC in definitive form duly executed and authenticated by the authorized officers of the City, and the Underwriters shall accept such delivery to DTC and shall pay the purchase price of the Notes as set forth in Section 1(a) hereof by delivering federal or other immediately available funds in the amount of such purchase price to the City. The City shall deliver to the Underwriters the other documents hereinafter mentioned at the offices of Nixon Peabody LLP in Los Angeles, California or such other place as shall have been mutually agreed upon by the City and the Representative. Such payment and delivery is herein called the “Closing.”

The Notes shall be prepared in fully registered form without coupons, in authorized denominations, shall bear CUSIP numbers and shall be registered in the name of “Cede & Co.,” as nominee of DTC; there shall be one (1) Note in the aggregate principal amount of the Notes, which shall be made available for inspection by the Underwriters at least one business day prior to the Closing.

Section 9. Closing Conditions.

The Underwriters have entered into this Note Purchase Contract in reliance upon the representations of the City contained herein and the performance by the City of its obligations hereunder both as of the date hereof and as of the date of Closing. The Underwriters’ obligations under this Note Purchase Contract shall be conditioned upon the performance by the City of its obligations to be performed hereunder and under the other documents and instruments delivered

in connection with the execution and delivery of the Notes and shall also be subject to the following further conditions:

(a) The representations of the City contained herein shall be true, complete and correct in all material respects (except to the extent already qualified by materiality, in which case such representations and warranties shall be true in all respects) on the date hereof and true, complete and correct in all material respects on the date of the Closing.

(b) At the time of the Closing (i) the Note Resolution shall be in full force and effect, and (ii) the City shall perform or have performed its obligations under this Note Purchase Contract and the Note Resolution, as applicable, which are required to be performed at or prior to the Closing.

(c) At or prior to the Closing, the Underwriters shall receive the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the City by an authorized officer of the City;

(2) A certified copy of the Note Resolution and an executed copy of a tax certificate, in form and substance reasonably satisfactory to Note Counsel, the Underwriters and the City, executed on behalf of the City by an authorized officer of the City;

(3) The opinion of Nixon Peabody LLP, Note Counsel, dated the date of the Closing, in substantially the form attached to the Official Statement as Appendix B;

(4) The supplemental opinion of Nixon Peabody LLP, Note Counsel, dated the date of the Closing and addressed to the City and the Underwriters, in substantially the form set forth in Exhibit A hereto;

(5) An opinion of the City Attorney, dated the date of the Closing and addressed to the Representative, in substantially the form set forth in Exhibit D hereto;

(6) The opinion of Norton Rose Fulbright US LLP, counsel to the Underwriters, dated the date of Closing and addressed to the Underwriters, to the effect that: (i) the Notes are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Note Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended; and (ii) in their capacity as counsel to the Underwriters in connection with the purchase by the Underwriters of the Notes, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement, such counsel advises that no information has come to the attention of

the attorneys in the firm representing the Underwriters in connection with their purchase of the Notes that would lead them to believe that the Preliminary Official Statement and the Official Statement (except for information relating to any financial, statistical, economic or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in Appendix B, C, and D to the Official Statement, or any information about book-entry or DTC included therein, as to which no opinion or view need be expressed) as of its date contained, or as of the date of the Closing, contains, any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(7) A certificate of the authorized officer of the City, dated the date of Closing, to the effect that each of the representations set forth in Section 7 of this Note Purchase Contract is true, accurate and complete in all material respects as of the Closing and each of the agreements of the City, as set forth in this Note Purchase Contract to be complied with at or prior to the Closing, has been complied with in all material respects;

(8) Evidence reasonably satisfactory to the Underwriters that, as of the date of Closing, the Notes are rated [“SP-1+”] by S&P Global Ratings and [“MIG-1”] by Moody’s Investors Service, Inc.;

(9) The opinion of Hawkins Delafield & Wood LLP, Disclosure Counsel, dated the date of Closing and addressed to the City, in substantially the form attached hereto as Exhibit C, together with a letter, dated the date of the Closing, from such Disclosure Counsel addressed to the Representative stating that the Underwriters may rely on such opinion as though it was addressed to them;

(10) Two transcripts of all proceedings of the City relating to the transactions contemplated hereunder; and

(11) Such additional legal opinions, certificates, instruments and other documents as the Underwriters, Disclosure or Note Counsel may reasonably deem necessary to evidence the due execution and delivery of the Notes, the truth and accuracy as of the time of the Closing of the City’s representations contained in Section 7 hereof and performance, in all material respects, by the City at or prior to the time of the Closing of all agreements then to be performed and all conditions then to be satisfied by the City pursuant to the Note Resolution and this Note Purchase Contract.

The opinions and certificates and other material referred to above shall be in form and substance reasonably satisfactory to the Representative.

Section 10. Termination.

The Representative shall have the right to terminate the Underwriters' obligations under this Note Purchase Contract to purchase, to accept delivery of and to pay for the Notes by notifying the City of the Underwriters' election to do so if, after the execution hereof and prior to the Closing:

(a) a tentative decision with respect to legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or legislation shall be introduced, by amendment or otherwise, in, or be enacted by the House of Representatives or the Senate or the State legislature, or recommended to the Congress or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation is proposed for consideration by either such committee by any member thereof or presented as an option for consideration by either such committee by the staff or such committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or a bill to amend the Code (which, if enacted, would be effective as of a date prior to the Closing) shall be filed in either House, or a decision by a court of the United States or the Tax Court of the United States or a State court shall be rendered or a ruling, regulation, filing or official statement (final, temporary or proposed) by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or State authority or other governmental agency shall be made, with respect to federal or state taxation of revenues or other income of the general character expected to be derived by the City or upon interest on securities of the general character of the Notes or which would have the effect of changing, directly or indirectly, the federal or state income tax consequences of receipt of interest on securities of the general character of the Notes in the hands of the holders thereof, which in the reasonable opinion of the Representative would materially and adversely affect the market price of the Notes or the ability of the Underwriters to enforce contracts for the sale of the Notes;

(b) a tentative decision with respect to legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or legislation shall be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or an order, decree, injunction or decision issued by a court of the United States, or action shall be taken or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice shall be issued or made by, or on behalf of, the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject, the effect of which, in the opinion of the Representative, could be that (i) the Notes are not, or may not be, exempt from the registration, qualification or other similar requirements of the Securities Act of 1933, as amended, (ii) the Resolution is not, or may not be, exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended, or (iii) the issuance, offering, or sale of obligations of the general character of the Notes, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities law as amended and then in effect;

(c) there shall have occurred an outbreak or escalation of hostilities involving the United States or a national or international calamity or crisis (or escalation in any calamity or

crisis); or the declaration by the United States of a national or international emergency or war, which in the reasonable judgment of the Representative (after consultation with the City) has had a materially adverse effect on the marketability of the Notes or the market price thereof or the ability of the Underwriters to enforce contracts for the sale of the Notes;

(d) there shall have occurred the declaration of a general banking moratorium by any authority of the United States, the State of New York or the State of California or a material disruption in commercial banking or securities settlement or clearance services shall have occurred which, in the reasonable opinion of the Representative (after consultation with the City), materially adversely affects the marketability of the Notes or the market price thereof or the ability of the Underwriters to enforce contracts for the sale of the Notes;

(e) there shall have occurred a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by such exchange or by order of the Securities and Exchange Commission or any other governmental agency having jurisdiction;

(f) there shall have been any downgrading, suspension or withdrawal, or any official notice or statement as to a possible downgrading, suspension or withdrawal of any rating on the Notes or any bonds or notes payable from the City's General Fund by any rating service which has rated the Notes, which in the reasonable opinion of the Representative would materially and adversely affect the market price of the Notes or the ability of the Underwriters to enforce contracts for the sale of the Notes;

(g) in the reasonable judgment of the Representative, the ability of the Underwriters to enforce contracts for the sale of the Notes or the market for any bonds or of obligations of the general character of the Notes might be adversely affected because either (i) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange or (ii) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall have imposed, as to any bonds or similar obligations, any material, restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters;

(h) an event described in subsection (p) of Section 7 shall have occurred or become known which in the reasonable opinion of the Representative (after consultation with the City) requires the preparation and publication of a supplement or amendment to the Official Statement and, in either such event, (i) the City refuses to permit the Official Statement to be supplemented to supply such statement or information in a manner satisfactory to the Representative or (ii) the effect of the Official Statement as so supplemented is, in the reasonable judgment of the Representative (after consultation with the City), to materially adversely affect the market price or marketability of the Notes or the ability of the Underwriters to enforce contracts for the sale of the Notes;

(i) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of

the subject matter shall hereafter be issued or made, the reasonable effect of which is that the issuance, offering or sale of the Notes, as contemplated herein or in the Official Statement, or of obligations of the general character of the Notes, is in violation or if issued would be in violation of any provisions of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, the Trust Indenture Act of 1939, as amended and as then in effect, or any rule or regulation promulgated under any such Acts; or

(j) any materially adverse change in the financial condition of the City which in the reasonable opinion of the Representative would materially and adversely affect the market price of the Notes or the ability of the Underwriters to enforce contracts for the sale of the Notes.

As used in this Section 10, the phrase “after consultation with the City” means advance notice by the Representative to the City when the Representative is contemplating terminating this Note Purchase Contract under any applicable clause of this Section 10, for the purpose of discussing such potential termination with the City. For the avoidance of doubt, the City agrees that such notice or consultation will not impact the ability of the Representative to terminate this Note Purchase Contract in its sole and reasonable judgment.

Section 11. Expenses.

(a) The City shall, except as set forth in subsection (b) hereof, pay any expenses incident to the performance of the City’s obligations hereunder, including but not limited to the following: (i) the cost of the preparation, printing and delivery of the Notes; (ii) the fees for ratings with respect to the Notes; (iii) the cost of printing and distribution of the Preliminary Official Statement and the Official Statement; (iv) the fees and disbursements of Note Counsel; (v) the fees and disbursements of Disclosure Counsel; (vi) the fees and disbursements of any other engineers, accountants, attorneys and other experts or consultants or advisors retained by the City; (vii) travel expenses of City employees (subject to the City’s Travel Policy); and (viii) any other costs and disbursements incurred by the City in connection with the transaction. The City shall reimburse the Underwriters for expenses (included in the expense component of the Underwriters’ spread) incurred on behalf of the City’s employees which are incidental to implementing this Note Purchase Contract, including, but not limited to, meals, transportation and lodging of those employees.

(b) The Underwriters shall pay their own expenses (which may be included as an expense component of the Underwriter’s discount) including but not limited to the fees and disbursements of any attorneys retained by the Underwriters, the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure undertaking compliance review, if any, and any expenses to qualify the Notes for sale under any Blue Sky Laws, and any fees of the California Debt and Investment Advisory Commission (“CDIAC”). Notwithstanding that such CDIAC fees are solely the legal obligation of the Underwriters, the City agrees to reimburse the Underwriters for such fees.

Section 12. Notices.

Any notice or other communication to be given to the City under this Note Purchase Contract (other than the acceptance hereof as specified in the first paragraph hereof) may be

given by giving the same in writing to the City, Office of the City Administrative Officer, 200 North Main Street, Room 1500, City Hall East, Los Angeles, California 90012, Attention: Debt Management Group; and any notice or other communication to be given to the Underwriters under this Note Purchase Contract may be given by delivering the same in writing to Citigroup Global Markets Inc., 300 S. Grand Avenue, Suite 3110, Los Angeles, CA 90071; Attention: Chris Mukai.

Section 13. Governing Law; Venue.

This Note Purchase Contract was made and entered into in the City and shall be governed by, interpreted and enforced in accordance with the laws of the State of California and the City, including any applicable statute of limitation, without regard to conflict of law principles. All litigation arising out of, or relating to this Note Purchase Contract, shall be brought in a State or Federal court in the City of Los Angeles in the State of California. The parties irrevocably agree to submit to the exclusive jurisdiction of such courts in the State of California and waive any defense of forum *non conveniens*.

Section 14. Parties in Interest.

This Note Purchase Contract when executed by the City shall constitute the entire agreement between the City and the Underwriters and is made solely for the benefit of the City and the Underwriters (including the successors or permitted assigns of any of the Underwriters but does not include any purchasers of the Notes from the Underwriters). No other person shall acquire or have any right hereunder or by virtue hereof. All of the representations (as of the date such representations were made) of the City contained in this Note Purchase Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Underwriters. This Note Purchase Contract may not be assigned by any party without the written consent of the other party.

Section 15. Effective Date.

This Note Purchase Contract shall be effective upon the execution hereof by the Representative on behalf of the Underwriters and the City.

Section 16. Headings.

The headings of the sections of this Note Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 17. End of Underwriting Period.

The term “end of the underwriting period” referred to in Sections 7(o) and (p) of this Note Purchase Contract shall mean the later of such time as (i) the City delivers the Notes to the Underwriters or (ii) the Underwriters do not retain an unsold balance of the Notes for sale to the public. Unless the Representative gives notice to the contrary, the end of the underwriting period shall be deemed to be the date of the Closing. Any notice delivered pursuant to this Section 17 shall be delivered in writing to the City at or prior to the date of the Closing, and shall specify a date, other than the date of the Closing (or such other date specified by notice delivered pursuant

to this Section 17), to be deemed the end of the underwriting period. In no event shall the “end of the underwriting period” extend beyond the date sixty (60) days from the Closing.

Section 18. Representation by Counsel.

Each party hereto represents and acknowledges that it has been represented by competent counsel in connection with the negotiation and execution of this Note Purchase Contract, and has been fully advised by said counsel with respect to its rights and obligations hereunder

Section 19. Relationship of the Parties.

The City acknowledges and agrees that: (i) the Underwriters are not acting as municipal advisors within the meaning of Section 15B of the Securities Exchange Act, as amended, (ii) the primary role of the Underwriters, as underwriters, is to purchase securities, for resale to investors, in an arm’s length commercial transaction between the City and the Underwriters and the Underwriters have financial and other interests that differ from those of the City; (iii) the Underwriters are acting solely as principals and are not acting as agents, municipal advisors, financial advisors or fiduciaries to the City and have not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the City on other matters); (iv) the only contractual obligations the Underwriters have to the City with respect to the transaction contemplated hereby expressly are set forth in this Note Purchase Contract; and (v) the City has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

Section 20. Counterparts.

This Note Purchase Contract may be executed by manual or facsimile signature in any number of counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument. The parties further agree that facsimile signatures or signatures scanned into PDF format (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures.

Section 21. City Standard Provisions.

Each of the Underwriters agrees that it will comply with the Standard Provisions for City Contracts attached hereto as Exhibit F.

Section 22. Iran Contracting Act of 2010

In accordance with California Public Contract Code Sections 2200-2208, all bidders submitting proposals for, entering into, or renewing contracts with the City of Los Angeles for goods and services estimated at \$1,000,000 or more are required to complete, sign, and submit the “Iran Contracting Act of 2010 Compliance Affidavit.” Each of the Underwriters shall complete, sign, and submit the “Iran Contracting Act of 2010 Compliance Affidavit” prior to the date of the execution of this Note Purchase Contract.

[Signatures appear on next page.]

Very truly yours,

CITIGROUP GLOBAL MARKETS INC.
RAMIREZ & CO., INC.
TD SECURITIES (USA) LLC

By: _____
CITIGROUP GLOBAL MARKETS INC.
as Representative of the Underwriters

Agreed and Accepted:

This ___st day of _____, 2022
CITY OF LOS ANGELES

By: _____
Name: Benjamin Ceja
Title: Assistant City Administrative Officer

APPROVED AS TO FORM:

_____, 2022

MICHAEL N. FEUER
City Attorney

By: _____
Deputy City Attorney

SCHEDULE I

<u>Maturity Date*</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
[6/29/2023]	\$(par amount)	_____ %	_____ %	_____

* 10% Test Maturity.

EXHIBIT A
FORM OF NOTE COUNSEL'S SUPPLEMENTAL OPINION
[To Come]

EXHIBIT B
RESERVED

EXHIBIT C
FORM OF OPINION OF DISCLOSURE COUNSEL

[To Come]

EXHIBIT D
FORM OF OPINION OF
THE CITY ATTORNEY OF THE CITY OF LOS ANGELES

[To Come]

EXHIBIT E

ISSUE PRICE CERTIFICATE (REPRESENTATIVE)

CITY OF LOS ANGELES, CALIFORNIA 2022 TAX AND REVENUE ANTICIPATION NOTES

[\$[PAR AMOUNT]

The undersigned Citigroup Global Markets Inc. (the “Representative”), on its own behalf and on behalf of Ramirez & Co., Inc. and TD Securities (USA) LLC (collectively, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Notes”).

1. ***Sale of the 10% Test Maturities.*** As of the date of this certificate, for each Maturity of the Notes listed as a “10% Test Maturity” in Schedule A attached hereto, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A attached hereto.

2. ***Pricing Wire or Equivalent Communication.*** A copy of the pricing wire or equivalent communication for the Notes is attached to this certificate as Schedule B.

[2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The Underwriting Group offered the Notes to the Public for purchase at the respective initial offering price listed in Schedule A hereto (the “Initial Offering Price”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Notes is attached to this certificate.

(b) As set forth in the Note Purchase Contract, the Underwriting Group agreed in writing on or prior to the Sale Date that, (i) the Representative would retain the unsold Notes and not allocate any such Notes to any other Underwriter, (ii) the Representative would neither offer nor sell any of the unsold Notes to any person at a price that is higher than the Initial Offering Price during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (iii) any selling group agreement will contain the agreement of each dealer who is a member of the selling group, and any retail or other third-party distribution agreement will contain the agreement of each broker-dealer who is a party to the retail or other third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, the Representative has not offered or sold any unsold Notes of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for the Maturity of the Notes during the Holding Period.]

3. ***Defined Terms.***

(a) *10% Test Maturities* means those Maturities of the Notes listed in Schedule A hereto as the “10% Test Maturities.”

(b) *City* means the City of Los Angeles, California

(c) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.

(e) *Related Party*. A purchaser of any Notes is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is _____, 2022.

(g) *Tax Compliance Certificate* means the Tax Compliance Certificate, dated _____, 2022, executed and delivered by the City in connection with the issuance of the Notes.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Nixon Peabody LLP, as Note Counsel to the City, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the City from time to time relating to the Notes. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.

Citigroup Global Markets Inc., as Representative of
the Underwriting Group

By _____
Authorized Representative

Dated: [CLOSING DATE]

SCHEDULE A

**SALE PRICES OF THE 10% TEST MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-PRICE MATURITIES**

SCHEDULE A

<u>Maturity Date*</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
[6/29/2023]	[\$par amount]	%	%	

* 10% Test Maturity.

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

EXHIBIT F

Standard Provisions for City Contracts

Each Underwriter, on its own behalf and not on behalf of any other Underwriter, agrees to comply with the following requirements of the City of Los Angeles (the “City”) in connection with the Note Purchase Contract, dated _____, 2022 (the “Note Purchase Contract”), between the City and Citigroup Global Markets Inc., as the Representative:

Section 1. Independent Contractor. Each Underwriter is an independent contractor and not an agent or employee of the City. Each Underwriter shall not represent or otherwise hold out itself or any of its directors, officers, partners, employees or agents to be an agent or employee of the City.

Section 2. Retention of Records, Audits and Reports. The Underwriters shall maintain all records, including records of financial transactions, pertaining to the performance of this Note Purchase Contract, in their original form or as otherwise approved by the City. These records shall be retained for a period of no less than three years from the later of the following: (1) final payment made by the City or (2) the expiration or termination of this Note Purchase Contract. The records will be subject to examination and audit by authorized City personnel or the City’s representatives at any time. The Underwriters shall provide any reports requested by the City regarding performance of this Note Purchase Contract. Any subcontract entered into by any Underwriter for work to be performed under this Note Purchase Contract must include an identical provision.

In lieu of retaining the records for the term as prescribed in this provision, the Underwriters may, upon the City’s written approval, submit the required information to the City in an electronic format, e.g. USB flash drive, at the expiration or termination of this Note Purchase Contract.

Section 3. Taxpayer Identification Number (“TIN”) and Withholding Taxes. The Representative declares that it has an authorized TIN which will be provided to the City on Form W-9 or such equivalent form prior to payment under the Note Purchase Contract. Payments made under the Note Purchase Contract shall be subject to any federal or state taxes as may be required to be withheld pursuant to any applicable law or regulation, unless otherwise exempted by such applicable law, regulations, or other evidence of exemption.

Section 4. Indemnification. The Underwriters shall defend, indemnify and hold harmless the City and the City’s boards, officers, agents, employees, assigns and successors in interest from and against all suits and causes of action, claims, losses, demands and expenses, including but not limited to attorneys’ fees and costs of litigation, to the extent such suits and causes of action, claims, losses, demands and expenses arise out of or are based upon information provided by the Underwriters to the City for use in the Official Statement under the heading “UNDERWRITING.”

Section 5. Insurance. During the term of this Note Purchase Contract, each Underwriter shall provide and maintain at its own expense professional liability insurance in the amount of One Million Dollars (\$1,000,000) which covers the services performed pursuant to this Note Purchase Contract, and that it will expend every reasonable effort to keep such insurance or its equivalent in effect at all times during performance of the Note Purchase Contract and for one (1) year after the termination of the Note Purchase Contract. The insurance must: (1) conform to the City’s requirements; (2) comply with the Insurance Contractual Requirements attached to the Request for Qualifications,

and (3) otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management.

Section 6. Warranty and Responsibility of the Underwriters. The Underwriters warrant that the work performed under this Note Purchase Contract shall be completed in a manner consistent with professional standards practiced among those firms within the Underwriters' profession, doing the same or similar work under the same or similar circumstances.

Section 7. Mandatory Provisions Pertaining to Non-Discrimination in Employment.

Unless otherwise exempt, this Note Purchase Contract is subject to the applicable non-discrimination, equal employment practices, and affirmative action program provisions in the Los Angeles Administrative Code ("LACC") Section 10.8 et seq., as amended from time to time.

- A. Each Underwriter shall comply with the applicable non-discrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City. In performing this Note Purchase Contract, each Underwriter shall not discriminate in any of its hiring or employment practices against any employee or applicant for employment because of such person's race, color, religion, national origin, ancestry, sex, sexual orientation, gender, gender identity, age, disability, domestic partner status, marital status or medical condition.
- B. The provisions of Section 10.8.3 of the LAAC are incorporated and made a part of this Note Purchase Contract by reference and will be known as the "Equal Employment Practices" provisions of this Note Purchase Contract.
- C. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Note Purchase Contract by reference and will be known as the "Affirmative Action Program" provisions of this Note Purchase Contract.

Any subcontract entered into by any Underwriter for work to be performed under this Note Purchase Contract must include an identical provision.

Section 8. Child Support Assignment Orders. Each Underwriter shall comply with the Child Support Assignment Orders Ordinance, Section 10.10 of the LAAC, as amended from time to time. Pursuant to Section 10.10(b) of the LAAC, each Underwriter (and any subcontractor providing services to the City under this Note Purchase Contract) shall (1) fully comply with all State and Federal employment reporting requirements for each Underwriter's or the subcontractor's employees; (2) certify that the principal owner(s) of each Underwriter and applicable subcontractor are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230, et seq.; and (4) maintain such compliance throughout the term of this Note Purchase Contract.

Failure of any Underwriter or an applicable subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment or Notices of Assignment, or the failure of any principal owner(s) of any Underwriter or applicable subcontractor to comply with any Wage and Earnings Assignment or Notices of Assignment applicable to them personally, shall constitute a default by such Underwriter under this Note Purchase Contract. Failure

of any Underwriter or applicable subcontractor or principal owner to cure the default within 90 days of the notice of default will subject this Note Purchase Contract to termination for breach. Any subcontract entered into by any Underwriter for work to be performed under this Note Purchase Contract must include an identical provision.

Section 9. Access and Accommodations.

Each Underwriter represents and certifies that:

- A. Each Underwriter shall comply with the Americans with Disabilities Act, as amended, 42 U.S.C. Section 12101 et seq., the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701 et seq., the Fair Housing Act, and its implementing regulations and any subsequent amendments, and California Government Code Section 11135;
- B. Each Underwriter shall not discriminate on the basis of disability or on the basis of a person's relationship to, or association with, a person who has a disability;
- C. Each Underwriter shall provide reasonable accommodation upon request to ensure equal access to City-funded programs, services and activities;
- D. Construction will be performed in accordance with the Uniform Federal Accessibility Standards (UFAS), 24 C.F.R. Part 40; and
- E. The buildings and facilities used to provide services under this Note Purchase Contract are in compliance with the federal and state standards for accessibility as set forth in the 2010 ADA Standards, California Title 24, Chapter 11, or other applicable federal and state law.

Each Underwriter understands that the City is relying upon these certifications and representations as a condition to funding this Note Purchase Contract. Any subcontract entered into by each Underwriter for work to be performed under this Note Purchase Contract must include an identical provision.

Section 10. Contractor Responsibility Ordinance. Each Underwriter shall comply with the Contractor Responsibility Ordinance, LAAC Section 10.40 et seq., as amended from time to time.

Section 11. Restrictions on Campaign Contributions and Fundraising in City Elections. Unless otherwise exempt, if this Note Purchase Contract is valued at \$100,000 or more and requires approval by an elected City office, each Underwriter, their principals, and any subcontractors expected to receive at least \$100,000 for performance under this Note Purchase Contract, and the principals of those subcontractors (the "Restricted Persons") shall comply with Charter Section 470(c)(12) and Los Angeles Municipal Code ("LAMC") Section 49.7.35. Failure to comply entitles the City to terminate this Note Purchase Contract and to pursue all available legal remedies. Charter Section 470(c)(12) and LAMC Section 49.7.35 limit the ability of the Restricted Persons to make campaign contributions to and engage in fundraising for certain elected City officials or candidates for elected City office for twelve months after this Note Purchase Contract is signed. Additionally, any Underwriter subject to Charter Section 470(c)(12) is required to comply with disclosure requirements by submitting a completed and signed Ethics Commission Form 55 and to amend the information in that form as specified by law. Any Underwriter subject to Charter Section 470(c)(12) shall include the following

notice in any contract with any subcontractor to receive at least \$100,000 for performance under this Note Purchase Contract:

“Notice Regarding Restrictions on Campaign Contributions and Fundraising in City Elections.

You are a subcontractor in connection with the Note Purchase Contract, dated _____, 2022 (the “Note Purchase Contract”), between the City of Los Angeles (the “City”) and Citigroup Global Markets Inc., as the Representative. Pursuant to the City of Los Angeles Charter Section 470(c)(12) and related ordinances, you and your principals are prohibited from making campaign contributions to and fundraising for certain elected City of Los Angeles officials and candidates for elected City office for twelve months after the Note Purchase Contract is signed. You are required to provide the names and contact information of your principals to the underwriting firm and to amend that information within ten business days if it changes during the twelve month time period. Failure to comply may result in termination of the Note Purchase Contract and any other available legal remedies. Information about the restrictions may be found online at ethics.lacity.org or by calling the Los Angeles City Ethics Commission at (213) 978-1960.”

Section 12. Contractor’s Use of Criminal History for Consideration of Employment Applications. Each Underwriter shall comply with the City’s “Contractor Use of Criminal History for Consideration of Employment Applications” Ordinance, LAAC Section 10.48 et seq., as amended from time to time. Any subcontract entered into by any Underwriter for work to be performed under this Note Purchase Contract must include an identical provision.

Section 13. COVID-19. Employees of each Underwriter and/or persons working on its behalf, including, but not limited to, subcontractors (collectively, “Contractor Personnel”), while interacting in person with City employees, contractors, volunteers or members of the public (collectively, “In-Person Services”) in order to perform services under this Note Purchase Contract, must be fully vaccinated against the novel coronavirus 2019 (“COVID-19”) prior to performing such In-Person Services. “Fully vaccinated” means that 14 or more days have passed since Contractor Personnel have received the final dose of a two-dose COVID-19 vaccine series (Moderna or Pfizer-BioNTech) or a single dose of a one-dose COVID-19 vaccine (Johnson & Johnson/Janssen) and all booster doses recommended by the Centers for Disease Control and Prevention. Prior to assigning Contractor Personnel to perform In-Person Services, each Underwriter shall obtain proof that such Contractor Personnel have been fully vaccinated. Each Underwriter shall retain such proof for the document retention period set forth in this Note Purchase Contract. Each Underwriter shall grant medical or religious exemptions (“Exemptions”) to Contractor Personnel as required by law. If any Underwriter wishes to assign Contractor Personnel with Exemptions to perform In-Person Services, such Underwriter shall require such Contractor Personnel to undergo weekly COVID-19 testing, with the full cost of testing to be borne by the Underwriter. If Contractor Personnel test positive, they shall not be assigned to perform In-Person Services or, to the extent they have already been performing In-Person Services, shall be immediately removed from those assignments. Furthermore, to the extent permitted by law, each Underwriter shall as soon as practical notify City if Contractor Personnel performing In-Person Services (1) have tested positive for or have been diagnosed with COVID-19, (2) have been informed by a medical professional that they are likely to have COVID-19, or (3) meet the criteria for isolation under applicable government orders.

As to Exhibit F of this Note Purchase Contract:

[UNDERWRITER]

By: _____

Title: _____

Exhibit B – Preliminary Official Statement

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE __, 2022

NEW ISSUE – FULL BOOK-ENTRY ONLY

RATINGS:
Moody's: "___"
S&P: "___"

See "RATINGS" herein

In the opinion of Note Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the City described herein, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Note Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Note Counsel is further of the opinion that interest on the Notes is exempt from personal income taxes of the State of California under present State law. See "TAX MATTERS" herein regarding certain other tax considerations.



[\$1,572,050,000]*
CITY OF LOS ANGELES, CALIFORNIA
2022 TAX AND REVENUE ANTICIPATION NOTES
Interest Rate: ___%; Yield: ___%; Price: ___
CUSIP Number 544351___

Dated: Date of Delivery

Due: June __, 2023

This cover contains information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The City of Los Angeles, California 2022 Tax and Revenue Anticipation Notes (the "Notes") described herein will be issued in the aggregate principal amount of [\$1,572,050,000]*. In accordance with the laws of the State of California (the "State") and the Note Resolution adopted by the Council of the City of Los Angeles on [June 10, 2022] (the "Note Resolution"), the Notes are general obligations of the City of Los Angeles, California (the "City") payable from the taxes, income, revenues (including, but not limited to, revenues from State and federal governments), cash receipts and other moneys of the City received or accrued by the City for the General Fund of the City during Fiscal Year 2022-23 and which are available for the payment of current expenses and other obligations of the City, but excluding moneys encumbered for a special purpose (collectively, the "Unrestricted Moneys"). The City has established a special fund, designated the "Tax and Revenue Anticipation Notes, Debt Service Fund" (the "Debt Service Fund"), and has agreed to set-aside for the repayment of the Notes from the Unrestricted Moneys: (a) not later than [January 25], 2023, an amount equal to 20 percent of the total principal and interest due on all of the Notes, (b) not later than [February 24], 2023, an amount equal to 20 percent of the total principal and interest due on all of the Notes, (c) not later than [March 24], 2023, an amount equal to 20 percent of the total principal and interest due on all of the Notes, (d) not later than [April 24], 2023, an amount equal to 20 percent of the total principal and interest due on all of the Notes, and (e) not later than [May 25], 2023, an amount equal to 20 percent of the total principal and interest due on all of the Notes (each such payment being a "Set-Aside Payment" and, collectively, the "Set-Aside Payments").

Under the Note Resolution, the City pledges, with a first statutory lien pursuant to Section 53856 of the California Government Code, any Unrestricted Moneys to secure the payment of the principal of the Notes and the interest thereon, including amounts set-aside in the Debt Service Fund and pledged to the Notes in accordance with the Note Resolution. The City also pledges the Unrestricted Moneys to secure all deposits to the Debt Service Fund. If there are insufficient Unrestricted Moneys to permit the deposit into the Debt Service Fund of the full amount required to be deposited by the applicable set-aside date as set forth above, the amount of the deficiency shall be satisfied and made up from the first Unrestricted Moneys of the City in the month next following said date. See "SECURITY FOR THE NOTES" herein.

The City is authorized to issue additional notes by adoption of an additional resolution during Fiscal Year 2022-23; provided, however, that pursuant to the Note Resolution, any such additional notes may only be payable on a date subsequent to the maturity date of the Notes and the interest thereon. See "THE NOTES – Additional Notes" herein.

To the extent that the Set-Aside Payments in the Debt Service Fund are insufficient to repay the Notes in full at their maturity, the Notes will be paid from any other Unrestricted Moneys legally available for their payment. See "SECURITY FOR THE NOTES" herein. The Notes are not subject to redemption prior to maturity.

The Notes will be delivered in fully registered form without coupons. Purchasers of the Notes will not receive physical certificates representing their interest in the Notes. The Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of \$5,000 and integral multiples thereof. Principal of and interest on the Notes will be payable on the maturity date thereof by the City Treasurer, acting as Paying Agent (the "Paying Agent"), by wire transfer to DTC. DTC is expected to remit such principal and interest payment to its Direct Participants, which in turn will remit such principal and interest to the Indirect Participants or the Beneficial Owners of the Notes, as described herein. See "THE NOTES—Book-Entry Only System" herein.

The Notes are offered when, as and if issued, subject to the final legal opinion of Nixon Peabody LLP, Los Angeles, California, Note Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the City by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel to the City, and by Michael N. Feuer, City Attorney, and for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Notes will be available for delivery through the book-entry facilities of DTC on or about July __, 2022.

Citigroup

Ramirez & Co., Inc.

TD Securities

Dated: _____, 2022

* Preliminary, subject to change.

CITY OF LOS ANGELES, CALIFORNIA¹

Mayor

Eric Garcetti

City Council

Gilbert Cedillo, *District 1*
Paul Krekorian, *District 2*
Bob Blumenfield, *District 3*
Nithya Raman, *District 4*
Paul Koretz, *District 5*

Nury Martinez, *District 6*
Monica Rodriguez, *District 7*
Marqueece Harris-Dawson, *District 8*
Curren D. Price, Jr., *District 9*
Mark Ridley-Thomas,² *District 10*

Mike Bonin, *District 11*
John Lee, *District 12*
Mitch O'Farrell, *District 13*
Kevin de León, *District 14*
Joe Buscaino, *District 15*

City Officials

Michael N. Feuer, *City Attorney*
Ron Galperin, *City Controller*
Matthew W. Szabo, *City Administrative Officer*

¹ The information on this page does not reflect the results of the June 7, 2022 primary. The officials set forth above are expected to continue to hold the indicated offices through December 31, 2022.

² Council Member Ridley-Thomas was suspended on October 20, 2021. On February 22, 2022, the City Council voted to appoint Herb Wesson to fill the temporary vacancy in District 10 through December 31, 2022 or until Mr. Ridley-Thomas is acquitted or the charges against him are dropped, whichever occurs first.

Holly L. Wolcott, *City Clerk*
Diana Mangioglu, *City Treasurer*

City Department Issuing Debt
Office of the City Administrative Officer
Debt Management Group

PROFESSIONAL SERVICES

Note Counsel
Nixon Peabody LLP
Los Angeles, California

Disclosure Counsel
Hawkins Delafield & Wood LLP
Los Angeles, California

Municipal Advisor
Montague DeRose and Associates, LLC
Westlake Village, California

Paying Agent
Treasurer of the City of Los Angeles
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Notes.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained by the City from sources which are believed to be reliable. The information in the section “THE NOTES – Book-Entry Only System” and in APPENDIX C — “DTC AND THE BOOK-ENTRY ONLY SYSTEM” herein has been furnished by The Depository Trust Company and no representation has been made by the City, the Underwriters or the Municipal Advisor as to the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date thereof. This Official Statement is submitted with respect to the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. Certain statements included or incorporated by reference in the Official Statement constitute “forward-looking statements.” Such forward-looking statements include, but are not limited to, statements contained in the table titled “CITY OF LOS ANGELES GENERAL FUND CASH FLOW FISCAL YEAR 2022-23 (Projections).” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such 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. The City has no plans to issue any updates or revisions to any forward-looking statements in this Official Statement, including statements regarding the City’s budgets, if or when its expectations, or events, conditions or circumstances on which such statements are based occur or change. No assurance is given that actual results will meet City forecasts in any way, regardless of the level of optimism communicated in the information.

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This Official Statement, including any supplement or amendment hereto, is intended to be filed with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access website. A wide variety of other information, including financial information, concerning the City, is available from publications and websites of the City, the County of Los Angeles and others. No such information is a part of or incorporated into this Official Statement, except as expressly noted herein.

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[\$1,572,050,000]*
CITY OF LOS ANGELES, CALIFORNIA
2022 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Note Resolution (as hereinafter defined).

The City of Los Angeles (the “City”) is issuing \$[1,572,050,000]* aggregate principal amount of its 2022 Tax and Revenue Anticipation Notes (the “Notes”). The Notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the “Act”) and a resolution (the “Note Resolution”) adopted by the Council of the City (the “City Council”) on [June 10, 2022].

As provided in the Act, the Notes are general obligations of the City payable only from the taxes, income, revenues (including, but not limited to, revenues from State of California (the “State”) and federal governments), cash receipts and other moneys of the City received or accrued by the City for the General Fund of the City during Fiscal Year 2022-23 and which are available for the payment of current expenses and other obligations of the City, but excluding moneys encumbered for a special purpose (collectively, the “Unrestricted Moneys”). See “SECURITY FOR THE NOTES” herein.

The proceeds of the Notes will be used to provide effective cash flow management for revenues and expenditures of the City’s General Fund for Fiscal Year 2022-23 and to make the City’s Fiscal Year 2022-23 annual contribution payments to the Los Angeles Fire and Police Pension Plan and the Los Angeles City Employees’ Retirement System.

This Official Statement contains brief descriptions of, among other things, the Notes, the Note Resolution and the City. References to the Notes are qualified in their entirety by references to the form of Note included in the Note Resolution. Information regarding the City, including certain financial information, is set forth in APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT” attached hereto. Investors are advised to carefully consider the information set forth in Appendix A hereto and elsewhere in this Official Statement to make an informed investment decision.

THE NOTES

General

The City will issue the Notes in the principal amount of \$[1,572,050,000].* Pursuant to the Fiscal Year 2022-23 Budget adopted by the City (see APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT – Financial Information – Budget and Financial Operations – Fiscal Year 2022-23 Budget”), the City has appropriated from amounts in the General Fund of the City, attributable to Fiscal Year 2022-23, an amount sufficient to pay debt service on the Notes. The Notes will be issued in registered form without coupons

* Preliminary, subject to change.

in denominations of \$5,000 and integral multiples thereof. Interest on the Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months and will be payable solely on the maturity date thereof. The Notes mature on the date set forth on the cover of this Official Statement. The Notes are not subject to call or redemption prior to their maturity date.

The Notes will be initially registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”), with the interest rate shown on the cover page of this Official Statement. The principal of and interest on the Notes will be payable on their maturity date by the City Treasurer, acting as Paying Agent (the “Paying Agent”), to DTC. DTC in turn is expected to remit such principal and interest to its Direct Participants (as defined in Appendix C hereto), which in turn will remit such principal and interest to the Indirect Participants (as defined in Appendix C hereto) or to the Beneficial Owners (as defined below) of the Notes. See “– Book-Entry Only System” below and APPENDIX C – “DTC AND THE BOOK-ENTRY ONLY SYSTEM” herein.

Additional Notes

Pursuant to the Note Resolution, the City Council may, by adoption of an additional resolution during Fiscal Year 2022-23, issue additional notes of the City pursuant to the Act. Such additional notes, if and when issued by the City, would be in addition to the \$[1,572,050,000]* of the Notes authorized under the Note Resolution. The additional notes, if and when issued, and the interest payable thereon would be payable from Unrestricted Moneys on a date subsequent to the maturity date of the Notes. In addition, pursuant to the Note Resolution, the City covenants and agrees that it will not establish for any such additional notes any set-aside amounts from Unrestricted Moneys on or before the maturity date of the Notes. Any additional notes issued to pay or refinance maturing Notes will not have a maturity date, and will not be paid, until after the Notes are fully paid.

Book-Entry Only System

DTC will act as securities depository for the Notes. The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully registered certificates will be issued in the aggregate principal amount of the Notes and will be deposited with DTC. See APPENDIX C – “DTC AND THE BOOK-ENTRY ONLY SYSTEM” herein.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the records of the Direct Participants and Indirect Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued. To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. Making required payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and

* Preliminary, subject to change.

disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered. See APPENDIX C – “DTC AND THE BOOK-ENTRY ONLY SYSTEM” herein.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (ii) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST DUE ON THE NOTES; OR (iii) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DIRECT PARTICIPANTS, AS ASSIGNEES OF DTC AS OWNER OF THE NOTES. THE RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS ARE ON FILE WITH DTC.

SECURITY FOR THE NOTES

As provided in the Act, the Notes are general obligations of the City payable from Unrestricted Moneys. The proceeds of the sale of the Notes will be deposited in the City’s “Tax and Revenue Anticipation Notes, Note Proceeds Fund” (the “Note Proceeds Fund”) established pursuant to Section 5.167.1 of the Los Angeles Administrative Code and used and expended by the City for any purpose for which the City is authorized to expend funds from its General Fund, including, but not limited to, current expenses, capital expenditures, investment and reinvestment, and the discharge of any obligation or indebtedness of the City.

The City has also established under Section 5.167.1 a special fund designated the “Tax and Revenue Anticipation Notes, Debt Service Fund” (the “Debt Service Fund”), which shall be held by the City among its City Treasury funds and accounts and separately accounted for by the City. All amounts in the Debt Service Fund shall be held in trust for the benefit of the holders of the Notes and any additional notes issued pursuant to and subject to the limitations set forth in the Note Resolution. Until the Notes and any additional notes and all interest thereon are paid or until provision has been made for the payment of such Notes and any additional notes at maturity with interest to maturity, the moneys in the Debt Service Fund are pledged, and shall be applied only, to pay the principal of and interest on such Notes and any additional notes at the respective maturity dates thereof. Any moneys remaining in the Debt Service Fund after the Notes and any additional notes and the interest thereon have been fully paid, or provision for such payment has been made, shall be released and transferred to the City for deposit into the General Fund.

Pursuant to the Note Resolution, as security for the payment of principal of and interest on the Notes, the City has agreed to deposit in the Debt Service Fund the following amounts, to be applied to pay principal of, and interest on, the Notes at maturity, from the Unrestricted Moneys by the following dates and in the following amounts (each such payment being a “Set-Aside Payment” and, collectively, the “Set-Aside Payments”): (a) not later than [January 25], 2023, an amount equal to 20 percent of the total principal and interest due on all of the Notes, (b) not later than [February 24], 2023, an amount equal to 20 percent of the total principal and interest due on all of the Notes, (c) not later than [March 24], 2023, an amount equal to 20 percent of the total principal and interest due on all of the Notes, (d) not later than [April 24], 2023, an amount equal to 20 percent of the total principal and interest due on all of the Notes, and (e) not later than [May 25], 2023, an amount equal to 20 percent of the total principal and interest due on all of the Notes (collectively, the “Pledged Moneys”). If there are insufficient Unrestricted Moneys to permit the deposit into the Debt Service Fund of the full amount required to be

deposited by the applicable set-aside date as set forth above, the amount of the deficiency shall be satisfied and made up from the first Unrestricted Moneys of the City in the month next following said date. In addition, in the event there are insufficient Unrestricted Moneys to make the set-aside payment, the City may: (i) borrow from the Reserve Fund (provided that if amounts in the Reserve Fund are below 2.75 percent of all General Fund receipts anticipated for that fiscal year in the adopted budget, including if such borrowing would cause amounts in the Reserve Fund to fall below 2.75 percent of the General Fund receipts anticipated for that fiscal year in the adopted budget, additional action must be taken by City Council to approve such borrowing); (ii) borrow from special funds as authorized and directed by the City Council for any Set-Aside Payment date that occurs on or before the last Monday in April (*i.e.*, the first four Set-Aside Payment dates); (iii) make budget adjustments through City Council action; and/or (iv) disencumber General Fund cash initially allocated to other uses. See “GENERAL FUND CASH FLOWS” herein.

The City pledges, with a first statutory lien pursuant to Section 53856 of the California Government Code, any Unrestricted Moneys to secure the payment of the principal of and interest on the Notes, including amounts set-aside in the Debt Service Fund and pledged to the Notes in accordance with the Note Resolution. The City also pledges the Unrestricted Moneys to secure all deposits to the Debt Service Fund.

Pursuant to the Fiscal Year 2022-23 Budget adopted by the City (see APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT – Financial Information – Budget and Financial Operations – Fiscal Year 2022-23 Budget”), the City has appropriated from amounts in the General Fund of the City, attributable to Fiscal Year 2022-23, an amount sufficient to pay debt service on the Notes. Appropriate officials of the City are required to do and perform each and every act that is necessary to collect and apply, and to provide for the collection and application of, a sum sufficient to pay the principal of and interest on the Notes on or before the maturity date thereof.

The additional notes, if and when issued by the City, and the interest payable thereon, shall be payable from Unrestricted Moneys on a date subsequent to the maturity date of the Notes. Pursuant to the Note Resolution, the City covenants and agrees that the City will not establish any set-aside payments from Unrestricted Moneys for such additional notes, and the additional notes will not be payable, on or before the maturity date of the Notes. Any additional notes issued to pay or refinance maturing Notes will not have a maturity date, and will not be paid, until after the Notes are fully paid.

The amount needed to repay all of the Notes on their maturity date is \$[_____].* The City’s Fiscal Year 2022-23 General Fund cash flow projections are set forth below. See “GENERAL FUND CASH FLOWS” herein. See also “BORROWABLE RESOURCES” herein for a description of additional resources available to the City.

THE NOTES SHALL NOT IN ANY WAY BE CONSTRUED TO BE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY APPLICABLE CONSTITUTIONAL OR STATUTORY LIMITATION OR REQUIREMENT CONCERNING THE CREATION OF INDEBTEDNESS BY THE CITY, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, NOR WILL ANYTHING CONTAINED IN THE NOTE RESOLUTION CONSTITUTE, EXCEPT AS EXPRESSLY SET FORTH THEREIN, A PLEDGE OF GENERAL REVENUES, FUNDS OR MONEYS OF THE CITY. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL AND INTEREST WITH RESPECT TO THE NOTES IS NOT AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY TAX OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY TAX.

* Preliminary, subject to change.

GENERAL FUND CASH FLOWS

Set forth below is a summary of the City's actual Fiscal Year 2020-21 General Fund cash flows, the City's estimated 2021-22 General Fund cash flows (based on actual data through May 18, 2022) and the City's projected Fiscal Year 2022-23 General Fund cash flows. See APPENDIX A – "CITY OF LOS ANGELES INFORMATION STATEMENT—OVERVIEW OF THE CITY'S FINANCIAL CONDITION" and "– BUDGET AND FINANCIAL OPERATIONS – Fiscal Year 2022-23 Budget" attached hereto.

The Fiscal Year 2022-23 General Fund cash flow projections set forth below are based on the City's Fiscal Year 2022-23 Budget, which was adopted by the City Council on [May 27, 2022] and approved by the Mayor on [June __, 2022]. The City's revenue assumptions for Fiscal Year 2022-23 are based on current trends in receipts, analyses conducted by departments and relevant industry forecasts, and assume neither a new outbreak of a COVID variant nor an economic downturn.

As reflected in the cash flow for Fiscal Years 2020-21 and 2021-22, the City received substantial amounts in federal COVID-related relief, including \$639.5 million in funding from the American Rescue Plan Act of 2021 ("ARPA") in each of Fiscal Years 2020-21 and 2021-22, totaling approximately \$1.279 billion. The City expects that it will be able to expend the full amount of the ARPA funding on eligible purposes in compliance with the requirements of ARPA. In addition, the City has received and expects to receive reimbursements from the Federal Emergency Management Agency ("FEMA") currently estimated to total \$181.7 million, although the process for claiming and receiving reimbursements can be lengthy. See APPENDIX A – "CITY OF LOS ANGELES INFORMATION STATEMENT—OVERVIEW OF THE CITY'S FINANCIAL CONDITION—The COVID-19 Pandemic."

In the Fiscal Year 2022-23 General Fund cash flow projections, the "Available Borrowable Resources" represents amounts that the City Controller may borrow from (i) the Reserve Fund (provided that if amounts in the Reserve Fund are below 2.75 percent of all General Fund receipts anticipated for that fiscal year in the adopted budget, including if such borrowing would cause amounts in the Reserve Fund to fall below 2.75 percent of the General Fund receipts anticipated for that fiscal year in the adopted budget, additional action must be taken by City Council to approve such borrowing) and (ii) the special funds as authorized and directed by the City Council for any Set-Aside Payment date that occurs on or before the last Monday in April (*i.e.*, the first four Set-Aside Payment dates).

The Fiscal Year 2022-23 Budget and Fiscal Year 2022-23 General Fund cash flow projections also include a number of other assumptions relating to the City's revenues and expenditures. Actual circumstances may be significantly different from the assumptions, and such difference may be material and adverse.

Inclusion of the projected cash flows in this Official Statement should not be regarded as a representation by any person that the results contained in the projected cash flows will be achieved. Neither the City's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the estimated and projected cash flows contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the estimated or projected cash flows.

**CITY OF LOS ANGELES
GENERAL FUND CASH FLOW
FISCAL YEAR 2020-21
(Actuals as of June 30, 2021)
(In Thousands)**

MONTH ENDING	July 31	August 31	September 30	October 31	November 30	December 31	January 31	February 28	March 31	April 30	May 31	June 30	Total
BEGINNING CASH BALANCE	\$635,006	\$851,667	\$761,364	\$667,643	\$376,831	\$148,754	\$541,916	\$541,325	\$294,124	\$80,362	\$332,018	\$158,217	
RECEIPTS													
Property Taxes	13,195	71,432	--	--	32,927	634,148	495,045	83,055	10,060	501,894	469,931	77,710	\$2,389,397
Utility Users Tax	57,010	47,422	53,022	53,022	48,290	45,828	51,892	44,914	52,091	60,119	46,382	54,697	615,238
Licenses, Permits, Fees and Fines	159,524	52,554	34,752	107,538	116,514	59,586	70,033	119,886	88,192	68,458	97,713	282,765	1,257,515
Sales Tax	48,030	33,095	50,053	51,433	37,743	43,181	46,032	37,871	42,387	42,141	43,433	49,220	524,619
Business Tax	24,500	21,356	14,915	14,912	16,065	13,162	22,702	141,970	264,089	96,100	32,688	29,927	692,386
Expenditure Transfers and Reimbursements	67,094	130,134	222,485	80,606	85,933	93,643	111,400	100,501	85,717	88,690	152,433	153,555	1,372,191
Other Revenues	37,997	52,678	35,625	43,748	68,690	64,457	74,875	45,956	42,360	38,096	83,885	53,466	641,833
Transfer from ARPA Fund	--	--	--	--	--	--	--	--	--	--	--	--	639,450
Borrowing from Other Funds	75,000	--	--	--	--	--	--	75,000	--	150,000	--	--	300,000
Power Revenue Transfer	--	--	--	--	--	--	--	--	--	109,355	54,500	54,500	218,355
2020 TRANS Proceeds	1,821,742	--	--	--	--	--	--	--	--	--	--	--	1,821,742
Total Receipts	2,304,092	408,671	411,401	351,259	406,162	954,005	871,979	574,153	659,896	1,154,853	980,965	1,395,290	10,472,726
DISBURSEMENTS													
Salaries	457,294	296,735	295,980	296,900	446,211	300,134	312,862	287,512	305,243	292,440	433,291	294,245	4,018,847
Allocations to Other Funds	45,240	49,566	61,859	59,303	49,025	90,691	49,034	43,100	43,099	69,398	43,099	96,600	700,014
Services, Equipment and Supplies	119,674	100,153	95,466	112,990	80,575	118,173	87,310	75,337	106,066	94,271	109,524	110,738	1,210,277
Other Disbursements	1,340,223	52,520	51,817	172,878	58,428	51,845	57,756	49,797	53,642	81,480	53,244	534,237	2,557,867
Repayment of Borrowings from Other Funds	125,000	--	--	--	--	--	--	--	--	--	150,000	75,000	350,000
2020 TRANS Debt Service Fund	--	--	--	--	--	--	365,608	365,608	365,608	365,608	365,608	--	1,828,040
Total Disbursements	2,087,431	498,974	505,122	642,071	634,239	560,843	872,570	821,354	873,658	903,197	1,154,766	1,110,820	10,665,045
SURPLUS/DEFICIT	216,661	(90,303)	(93,721)	(290,812)	(228,077)	393,162	(591)	(247,201)	(213,762)	251,656	(173,801)	284,470	
ENDING CASH BALANCE	\$851,667	\$761,364	\$667,643	\$376,831	\$148,754	\$541,916	\$541,325	\$294,124	\$80,362	\$332,018	\$158,217	\$442,687	

Source: Office of the City Controller.

CITY OF LOS ANGELES
GENERAL FUND CASH FLOW
FISCAL YEAR 2021-22
(Actuals as of May 18, 2022)⁽¹⁾
(In Thousands)

MONTH ENDING	July 31	August 31	September 30	October 31	November 30	December 31	January 31	February 28	March 31	April 30	May 31	June 30	Total
BEGINNING CASH BALANCE	\$ 442,687	\$ 845,224	\$ 945,913	\$ 833,591	\$ 600,655	\$ 269,334	\$ 800,309	\$ 746,181	\$ 432,601	\$ 447,018	\$ 603,863	\$ 471,351	
RECEIPTS													
Property Taxes	27,291	69,631	--	--	28,367	661,642	501,826	95,013	10,517	512,127	452,309	89,654	2,448,377
Utility Users Tax	51,198	44,780	49,207	49,294	46,665	49,216	51,186	73,347	51,592	66,568	48,169	40,518	621,740
Licenses, Permits, Fees and Fines	35,146	62,450	135,831	70,784	60,828	103,967	70,307	78,258	80,445	113,575	118,843	267,236	1,197,670
Sales Tax	62,454	56,270	51,379	55,015	59,307	50,675	49,243	80,084	48,427	45,907	48,180	49,902	656,843
Business Tax	24,574	14,800	21,390	14,041	14,439	17,967	41,781	109,098	356,516	82,356	26,984	22,988	746,934
Expenditure Transfers and Reimbursements	71,449	303,075	87,051	93,196	128,603	105,135	100,168	89,459	120,696	172,927	131,837	51,084	1,454,680
Other Revenues	57,080	116,319	72,747	143,795	99,964	75,437	70,667	57,645	42,046	77,942	84,340	114,263	1,012,244
Transfer from ARPA Fund	--	--	--	--	--	--	--	--	--	--	--	639,450	639,450
Transfer from Proprietary Funds	--	--	--	--	--	--	--	--	--	--	112,508	112,507	225,015
2021 TRANS Proceeds	1,923,448	--	--	--	--	--	--	--	--	--	--	--	1,923,448
Total Receipts	2,252,640	667,325	417,605	426,125	438,173	1,064,039	885,178	582,904	710,239	1,071,402	1,023,170	1,387,602	10,926,401
DISBURSEMENTS													
Salaries	303,108	290,212	291,936	296,039	452,805	303,404	326,708	309,301	300,958	301,045	334,507	520,287	4,030,310
Allocations to Other Funds	69,547	115,673	94,836	55,317	174,602	55,573	56,866	60,519	55,261	59,778	36,922	12,088	846,982
Services, Equipment and Supplies	102,945	112,087	90,562	95,656	84,797	125,066	116,750	86,492	94,217	93,755	142,889	163,534	1,308,750
Other Disbursements	1,374,503	48,664	52,593	212,049	57,290	49,021	53,661	54,851	52,724	74,658	63,382	603,554	2,696,950
2021 TRANS Debt Service Fund	--	--	--	--	--	--	385,321	385,321	192,661	385,321	577,982	--	1,926,606
Total Disbursements	1,850,103	566,636	529,927	659,061	769,494	533,064	939,306	896,484	695,821	914,557	1,155,682	1,299,463	10,809,598
SURPLUS/DEFICIT	402,537	100,689	(112,322)	(232,936)	(331,321)	530,975	(54,128)	(313,580)	14,418	156,845	(132,512)	88,139	
ENDING CASH BALANCE	\$ 845,224	\$ 945,913	\$ 833,591	\$ 600,655	\$ 269,334	\$ 800,309	\$ 746,181	\$ 432,601	\$ 447,018	\$ 603,863	\$ 471,351	\$ 559,490	

⁽¹⁾ Based on actual figures through May 18, 2022; figures for the remainder of the Fiscal Year (May 19 – June 30) are estimates.
Source: Office of the City Controller.

**CITY OF LOS ANGELES
GENERAL FUND CASH FLOW
FISCAL YEAR 2022-23
(Projections)
(In Thousands) [To be updated]**

MONTH ENDING	July 31	August 31	September 30	October 31	November 30	December 31	January 31	February 28	March 31	April 30	May 31 ⁽¹⁾	June 30	Total
BEGINNING CASH BALANCE													
RECEIPTS													
Property Taxes													
Utility Users Tax													
Licenses, Permits, Fees and Fines ⁽²⁾													
Sales Tax													
Business Tax													
Expenditure Transfers and Reimbursements ⁽³⁾													
Other Revenues ⁽⁴⁾													
Transfers from ARPA Fund													
Transfer from Proprietary Funds													
2022 TRANS Proceeds ⁽⁵⁾													
Total Receipts													
DISBURSEMENTS													
Salaries													
Allocations to Other Funds													
Services, Equipment and Supplies													
Other Disbursements ⁽⁶⁾													
2022 TRANS Debt Service Fund ⁽⁷⁾													
Total Disbursements													
SURPLUS/DEFICIT													
ENDING CASH BALANCE													
Available Borrowable Resources⁽⁸⁾⁽⁹⁾													
Other Borrowable Funds													
Reserve Fund ⁽¹⁰⁾													
Total Borrowable Funds													

(1) The Set-Aside Payments to be made on [May 25], 2023 occur after the City Charter restriction on borrowing from special funds.
(2) Licenses, permits, fees and fines include reimbursements to the General Fund from various special revenue and enterprise funds of the City, and charges for special services performed by City departments.
(3) Expenditure Transfers and Reimbursements represent reimbursements from special funds for direct costs.
(4) Other Revenues include parking fines, transient occupancy tax, documentary transfer tax, parking users' tax, franchise income, interest income, grants, tobacco settlement, surplus transfer from the Special Parking Revenue Fund, and residential development tax.
(5) Includes the Notes.
(6) Other Disbursements include inter-fund billings such as water and electricity, health and dental insurance subsidy, lease payments, and the portion of the City's Fiscal Year 2021-22 annual contributions to the Los Angeles City Employees' Retirement System and the Fire and Police Pension Plan payable from proceeds of the Notes.
(7) 2022 TRANS Debt Service Fund amounts represent the Set-Aside Payments.
(8) Amounts shown are net of allocations to the General Fund and other budgeted disbursements and do not reflect the actual Reserve Fund balances throughout the fiscal year.
(9) Pursuant to Section 340 of the City Charter, the City may borrow from special funds up to the last Monday in April during the fiscal year. The City has access to the Reserve Fund all year round.
(10) Requires City Council action to transfer funds.

Source: Office of the City Controller.

BORROWABLE RESOURCES

General

Based on the revenue and expenditure assumptions set forth in the Fiscal Year 2022-23 Budget, the City currently anticipates that sufficient Unrestricted Moneys will be available to make Set-Aside Payments during Fiscal Year 2022-23. If Unrestricted Moneys are insufficient to make a Set-Aside Payment, the amount of the deficiency shall be satisfied and made up from the first Unrestricted Moneys of the City in the month next following said date. In addition, in the event there are insufficient Unrestricted Moneys to make the set-aside payment, the City may: (i) borrow from the Reserve Fund (provided that if amounts in the Reserve Fund are below 2.75 percent of all General Fund receipts anticipated for that fiscal year in the adopted budget, including if such borrowing would cause amounts in the Reserve Fund to fall below 2.75 percent of the General Fund receipts anticipated for that fiscal year in the adopted budget, additional action must be taken by City Council to approve such borrowing); (ii) borrow from special funds as authorized and directed by the City Council for any Set-Aside Payment date that occurs on or before the last Monday in April (*i.e.*, the first four Set-Aside Payment dates); (iii) make budget adjustments through City Council action; and/or (iv) disencumber General Fund cash initially allocated to other uses through City Council action.

Reserve Fund

The Reserve Fund is a fund of the City into which surplus moneys of the General Fund are deposited (the “Reserve Fund”) and from which the City Council may authorize expenditures by supplemental appropriation. For additional information regarding the City’s Reserve Fund, see APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT – BUDGET AND FINANCIAL OPERATIONS – Budgetary Reserves and Contingencies” attached hereto. In addition to making the budgeted transfers of revenue from the Reserve Fund to the General Fund, the City may, pursuant to the City Charter, borrow from the Reserve Fund on a temporary basis. In the event the City Controller determines that internal cash resources are required to manage timing differences between planned General Fund receipts and disbursements, funds may be borrowed from the Reserve Fund without further City Council action; provided that if amounts in the Reserve Fund are below 2.75 percent of all General Fund receipts anticipated for that fiscal year in the adopted budget, including if such borrowing would cause amounts in the Reserve Fund to fall below 2.75 percent of the General Fund receipts anticipated for that fiscal year in the adopted budget, any such borrowing shall require approval by a two-thirds vote of the City Council with the concurrence of the Mayor, or, in the event of a Mayoral veto, by a three-fourths vote of the City Council. Concurrent with any transfer that would result in amounts in the Reserve Fund being below 2.75 percent of the General Fund receipts anticipated for that fiscal year in the adopted budget, the City Council shall, pursuant to the City Charter, make a finding of urgent economic necessity, the basis for which includes, but is not limited to, a significant economic downturn after the budget is adopted, a natural disaster, such as an earthquake, civil unrest, or other significant unanticipated events requiring the expenditure of General Fund resources. See the table titled “CITY OF LOS ANGELES GENERAL FUND CASH FLOW FISCAL YEAR 2022-23 (Projections)” for the amounts projected to be in the Reserve Fund at the date of each Set-Aside Payment.

Special Funds

Borrowing from the special funds is authorized by the City Charter up to the last Monday in April within the current fiscal year and must be repaid from *ad valorem* taxes accruing to the City before any other obligation of the City is met from such taxes. Borrowings from the special funds must be authorized and directed by the City Council. The first four dates for Set-Aside Payments of Pledged Moneys occur on or before the last Monday in April and therefore borrowings from special funds (upon authorization and direction by City Council action) may be available to make up any deficiency in such Set-Aside Payments. The Set-Aside Payment due on [May 25], 2023 occurs after the last Monday in April and no borrowing from special funds will be available to make up any deficiency.

The actual amount available to be borrowed at any given time will depend on a variety of factors, including the actual revenues and expenditures attributable to the special funds over the course of the fiscal year, and any prior borrowings from such special funds. The amounts in the special funds which are eligible and available for borrowing by the City Controller with City Council action are projected to range from a low of approximately \$[] billion to a high of approximately \$[] billion during Fiscal Year 2022-23. See “Other Borrowable Funds” under the heading “Available Borrowable Resources” in the City’s Fiscal Year 2022-23 General Fund projections set forth above under “GENERAL FUND CASH FLOWS” herein.

INVESTMENTS

Pursuant to the Note Resolution, moneys in the Note Proceeds Fund and the Debt Service Fund shall be invested in “The City of Los Angeles Pooled Investment Fund General Pool” (the “General Investment Pool”). Investment earnings on amounts held in the Note Proceeds Fund shall be held in and credited to the Note Proceeds Fund until the maturity of all of the Notes, and on and after such date, all amounts remaining in the Note Proceeds Fund, if any, shall be credited and transferred to the Debt Service Fund and applied, as a credit against the amounts required to be deposited by the City in the Debt Service Fund pursuant to the Note Resolution, to the payment of principal and interest as provided in the Note Resolution. Any moneys remaining in the Note Proceeds Fund after the Notes and the interest thereon have been fully paid, or provision for such payment has been made, including any investment earnings earned prior to the maturity of all of the Notes, but not credited to the Note Proceeds Fund until after the maturity of all of the Notes, shall be released and transferred to the City for deposit into its General Fund. Investment earnings on the Debt Service Fund, if any, shall be credited to and retained in such fund until the payment of the Notes at the final maturity date thereof. See “RISK FACTORS — Bankruptcy.”

The City’s treasury operations are managed in compliance with the California Government Code and according to the City’s Statement of Investment Policy, which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments. The investment policy is reviewed and approved by the City Council on an annual basis.

The City Treasurer does not invest in range notes, inverse floating rate investments, or mortgage-derived interest or principal-only strips, among other instruments prohibited by State law and the City’s Investment Policy. The City believes that its General Investment Pool investments have not caused it to exceed any debt limitation or restriction imposed by the laws of the State. For further information concerning the investment policy of the City. See APPENDIX A — “CITY OF LOS ANGELES INFORMATION STATEMENT — BUDGET AND FINANCIAL OPERATIONS — City Treasury Investment Practices and Policies” attached hereto.

RISK FACTORS

The following factors, along with all other information in this Official Statement, must be considered by potential investors in evaluating the risks inherent in the purchase of the Notes. The following description is not intended to be an exhaustive list of the risks associated with the purchase of the Notes and the order of presentation below does not necessarily reflect the relative importance of the various risks.

The City’s Fiscal Year 2022-23 Budget

The Fiscal Year 2022-23 General Fund cash flow projections set forth above are based on the City’s Fiscal Year 2022-23 Budget. The City’s Fiscal Year 2022-23 Budget is based on a number of assumptions regarding both revenues and expenditures. The City’s revenue assumptions for Fiscal Year 2022-23 are based on current trends in receipts, analyses conducted by departments and relevant industry forecasts, and assume neither a new outbreak of a COVID variant nor an economic downturn. However, cyclical COVID-19 outbreaks—local or along the supply chain—continue to pose risks to the City’s projected revenue growth. Additionally, more familiar risks such as inflation, interest rate increases, and conflict abroad have increased the

immediate risk of a recession within the next year. See APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT—OVERVIEW OF THE CITY’S FINANCIAL CONDITION” and “—BUDGET AND FINANCIAL OPERATIONS—Fiscal Year 2022-23 Budget.” Accordingly, the City’s actual Fiscal Year 2022-23 cash flows can differ significantly from the above projections. Inclusion of the projected cash flows in this Official Statement should not be regarded as a representation by any person that the results contained in the projected cash flows will be achieved.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the City, may become subject to the exercise by the United States of America of the powers delegated to it by the Constitution, or the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State.

Bankruptcy

The enforceability of the rights and remedies of the owners of the Notes (including the enforceability and priority of the statutory lien pursuant to Section 53856 of the California Government Code), and the obligations incurred by the City, may become subject to the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, or equity principles which may limit the specific enforcement under State law of certain remedies. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the Bankruptcy Code. However, third parties cannot bring involuntary bankruptcy proceedings against the City.

Should the City become a debtor in a federal bankruptcy proceeding, the owners of the Notes would continue to have a lien on Pledged Moneys because that lien is imposed by statute. Unlike other types of pledges and liens that are cut off by the Bankruptcy Code upon the filing of the bankruptcy case, statutory liens continue both after the filing and the conclusion of the case. In 1996, in the case of Alliance Capital Management L.P. v. County of Orange, a part of the Chapter 9 proceeding of Orange County, the United States District Court for the Central District of California held that the lien imposed pursuant to Section 53856 of the California Government Code creates a statutory lien for purposes of the federal Bankruptcy Code. Accordingly, the City believes that, in a Chapter 9 case of the City, pursuant to Section 53856 of the California Government Code holders of the Notes would have a first priority statutory lien on Pledged Moneys. While a decision outside of California (in the bankruptcy case of the Commonwealth of Puerto Rico) has questioned certain aspects of the reasoning of the Alliance Capital Management decision, it remains the governing case law in California for the proposition that, in a Chapter 9 case of the City, the owners of the Notes would have statutory lien on the Pledged Moneys.

In another 1996 decision in the Chapter 9 case of Orange County, in the case of County of Orange v. Merrill Lynch & Co., Inc., et al. the bankruptcy court held that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, and held that a state statute purporting to create a priority secured lien on a portion of such monies was ineffective unless such funds could be traced. The court was not required to directly address Section 53856 of the California Government Code. With respect to the Notes, the City will be in possession of the taxes and other revenues that will be set-aside and pledged to repay the Notes and these funds may be invested for a period of time in the General Investment Pool. See APPENDIX A — “CITY OF LOS ANGELES INFORMATION STATEMENT — FINANCIAL OPERATIONS — City Treasury Investment Practices and Policies” attached

hereto. If the City were to file for bankruptcy relief under Chapter 9 of the federal Bankruptcy Code, if sufficient funds are not available to address all obligations, a court might hold that the owners of the Notes do not have a valid and/or prior lien on the Pledged Moneys where such amounts are deposited in the General Investment Pool and may not provide the owners of the Notes with a priority interest in such amounts. In that circumstance, unless the owners could “trace” the funds from the Debt Service Fund that have been deposited in the General Investment Pool, the owners would be unsecured creditors of the City. There can be no assurance that the owners of Notes could successfully so “trace” the Pledged Moneys and other revenues in the General Investment Pool or that they will have a priority in such funds under the statutory lien imposed pursuant to Section 53856 of the California Government Code.

Regardless of any specific determinations by a bankruptcy court in a City bankruptcy proceeding, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Notes.

TAX STATUS OF INTEREST ON THE NOTES

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Notes for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issue of the Notes. Pursuant to the Resolution and the Tax and Nonarbitrage Certificate, the City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Notes from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the City has made certain representations and certifications in the Resolution and the Tax and Nonarbitrage Certificate.

In the opinion of Nixon Peabody LLP, Note Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the City described above, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Code. Note Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

The amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service (the “IRS”) Notice 94-84, 1994-2 C.B. 559. Notice 94-84 states that the IRS is studying whether the amount of the payment at maturity on debt obligations such as the Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Notes (the “original issue discount”). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). As set forth in Notice 94-84, until the IRS provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Notes if the taxpayer elects original issue discount treatment.

Under the Code and the Treasury Regulations promulgated thereunder (the “Regulations”), if the City does not spend all of the proceeds of the Notes within six months after issuance (determined as provided in the Code and the Regulations), the City must rebate to the federal government its arbitrage profits, if any, in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The City expects to

spend all of the proceeds of the Notes within six months of issuance. If, however, it fails to do so, the City has covenanted to provide for and to set aside any required rebate payment from moneys attributable to Fiscal Year 2022-23. The California Constitution generally prohibits the City from incurring obligations payable from moneys other than moneys attributable to the fiscal year in which such obligations are incurred. Accordingly, if, after the end of the Fiscal Year 2022-23, it is determined that the City's calculations of expenditures of Note proceeds or of rebatable arbitrage profits, if any, were incorrect and that the moneys attributable to Fiscal Year 2022-23 that were set aside were insufficient to meet the recalculated rebate requirement, it is unclear whether the City could be compelled to pay the difference from the moneys attributable to the then current fiscal year. If the amount required to be rebated to the federal government as recalculated is not paid, then it may be determined that, retroactive to the issuance of the Notes, the interest on the Notes is not excluded from gross income for federal income tax purposes.

State Taxes

Note Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes of the State under present State law. Note Counsel expresses no opinion as to other State tax consequences arising with respect to the Notes nor as to the taxability of the Notes or the income therefrom under the laws of any state other than the State.

Original Issue Premium

The Notes are being sold at prices in excess of their principal amounts ("Premium Notes"). An initial purchaser with an initial adjusted basis in a Premium Note in excess of its principal amount will have amortizable bond premium which offsets the amount of tax-exempt interest and is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Note based on the purchaser's yield to maturity. For purposes of determining gain or loss on the sale or other disposition of a Premium Note, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Note annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Notes. Owners of the Notes are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Notes.

Ancillary Tax Matters

Ownership of the Notes may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Notes. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Notes is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Notes may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Note Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix B. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of

owning and disposing of the Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Notes for federal or state income tax purposes, and thus on the value or marketability of the Notes. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Notes from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Notes may occur. Prospective purchasers of the Notes should consult their own tax advisors regarding the impact of any change in law on the Notes.

Note Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Notes may affect the tax status of interest on the Notes. Note Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of other counsel.

LITIGATION

There is no action, suit or proceedings pending (with service of process having been given) against the City or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Notes or in any way contesting or affecting the validity of the Notes or the Note Resolution or any proceedings of the City taken with respect to the issuance or sale of the Notes, or the pledge or application of any moneys or security provided for the payment of the Notes or the use of the proceeds of the Notes.

The City is routinely subject to various actions, suits or proceedings. Included in APPENDIX A is a list of certain pending matters and cases relating to the City. See APPENDIX A – “CITY OF LOS ANGELES INFORMATION STATEMENT—LITIGATION” attached hereto.

CERTAIN LEGAL MATTERS

Nixon Peabody LLP, Los Angeles, California, Note Counsel to the City, will render its approving opinion on the date of the issuance of the Notes in substantially in the form set forth in APPENDIX B – “FORM OF APPROVING OPINION OF NOTE COUNSEL” attached hereto. Note Counsel expresses no opinion regarding the accuracy or completeness of this Official Statement. Certain legal matters will be passed on for the City by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel to the City, and by the City Attorney, and for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Los Angeles, California.

The legal opinions and other letters of counsel to be delivered concurrently with the delivery of the Notes express the professional judgment of the attorneys rendering the opinions or advice regarding the legal issues and other matters expressly addressed therein. By rendering a legal opinion or advice, the giver of such opinion or advice does not become an insurer or guarantor of the result indicated by that opinion, or the transaction on which the opinion or advice is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL STATEMENTS

The City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2021 (the "Financial Statements"), including the Independent Auditor's Report, are available on the EMMA website at <https://emma.msrb.org/P21541080-P21191208-P21609743.pdf>. The Financial Statements are incorporated herein by reference thereto. The Financial Statements have been audited by Macias Gini & O'Connell LLP, certified public accountants. Macias Gini & O'Connell LLP has not consented to the inclusion by reference of its report in this Official Statement and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Macias Gini & O'Connell LLP with respect to any event subsequent to the date of the Independent Auditor's Report.

RATINGS

Moody's Investors Service Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned ratings of "___" and "___" respectively, to the Notes. The ratings provided by each of the rating agencies reflect only the views of such organizations and an explanation of the significance of such ratings may only be obtained from the respective agencies at the following website addresses: Moody's at <https://www.moody.com> and S&P at <http://www.standardandpoors.com>. No information from such websites is incorporated herein by reference. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agency, circumstances so warrant. Any such downward revisions or withdrawals of such ratings may have an adverse effect on the market price of the Notes. The City undertakes no responsibility to maintain any rating on the Notes or to take any action, except as may be required by the provisions of the Note Resolution relating to its continuing disclosure obligations, in the event of a downgrade, suspension or withdrawal of a rating.

CONTINUING DISCLOSURE

The City has agreed in the Note Resolution, upon the occurrence of certain "Listed Events," to report the occurrence of such event to the Municipal Securities Rulemaking Board (the "MSRB") through its EMMA website at <http://emma.msrb.org>. Listed Events include any of the following events with respect to the Notes: (1) principal and interest payment delinquencies, (2) non-payment related defaults, if material, (3) unscheduled draws on debt service reserves reflecting financial difficulties, (4) unscheduled draws on credit enhancements reflecting financial difficulties, (5) substitution of credit or liquidity providers, or their failure to perform, (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes, (7) modifications to rights of Note holders, if material, (8) note calls, if material, and tender offers, (9) defeasances, (10) release, substitution, or sale of property securing repayment of the Notes, if material, (11) rating changes, (12) bankruptcy, insolvency, receivership or similar event of the City; provided that for the purposes of the events described in this clause, such an event is considered to occur upon: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, (13) consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material, and (14) appointment of a successor or additional paying agent, or the change of name of a paying agent, if material. There are currently no credit enhancements

or liquidity providers securing or supporting the payment of principal of and interest on the Notes, and the Notes are not subject to redemption prior to their maturity date, (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material, and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. "Financial Obligation" means a (A) debt instrument, (B) derivative instruments entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (C) guarantee of (A) or (B) above, but excluding municipal securities as to which a final official statement has been provided to MSRB consistent with the Rule. These covenants have been made in order to assist the Underwriters (as defined hereafter) in complying with Rule 15c2-12, promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The City's failure to comply with any of such covenants shall not be deemed an event of default under the Note Resolution, and the sole remedy under the Note Resolution in the event of any failure by the City to comply with such covenants shall be an action to compel performance.

The City and its related entities issue a variety of bonds, notes and obligations (collectively, "Obligations"), including Obligations issued through the City's proprietary enterprise programs and for its housing program and other conduit borrowers, as well as Obligations secured by special taxes and special assessments. The representations made by the City in this section regarding its previous continuing disclosure undertakings relate only to those Obligations which are managed by the City Administrative Officer and its staff, including Obligations secured by the City's general fund (including the City's Judgment Obligation Bonds and the bonds and notes issued through the Los Angeles Convention and Exhibition Center Authority and the Municipal Improvement Corporation of Los Angeles), General Obligation Bonds, Wastewater System Revenue Bonds, Tax and Revenue Anticipation Notes, Solid Waste Revenue Bonds, and Landscape and Lighting District 96-1 Bonds. The City's Department of Airports, Department of Water and Power and Harbor Department (each of which is governed by a Board of Commissioners that is separate from the City Council) enter into separate continuing disclosure undertakings in connection with the bonds and notes that are secured and payable from their respective enterprise revenues.

The City failed to provide notice within 10 days of the incurrence of the Purchase and Assignment Agreement with the Corporation and Banc of America Public Capital Corporation in accordance with certain of the City's continuing disclosure undertakings. On October 24, 2019, the City filed notice of the incurrence of this agreement with the MSRB on the EMMA website.

The City omitted from the annual report filed for Fiscal Year 2018 for its Wastewater System Subordinate Revenue Bonds, Series 2018-A (Green Bonds) and the Wastewater System Subordinate Revenue Bonds, Refunding Series 2018-B an update to the information in the Official Statement for such bonds under the caption "LITIGATION." This information was included in an update to the annual report for Fiscal Year 2019 that was filed on April 28, 2020 with the MSRB on the EMMA website.

[The City omitted from the annual reports filed for Fiscal Years 2015 through 2017 for its Solid Waste Resources Refunding Revenue Bonds, Series 2015-A, a table entitled "SOLID WASTE PROGRAM – CHANGES IN OPERATING CASH." A supplement setting forth this information was subsequently filed with the MSRB on the EMMA website.] [To be reviewed with DAC report to determine if outside 5 year period.]

The City failed to provide in a timely manner notice of redemption and failed to file a notice of defeasance for the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2009-D (Recovery Zone Economic Development Bonds) in accordance with the City's continuing disclosure undertakings relating to these bonds. These bonds were paid in full on September 1, 2019 and are no longer outstanding.

MUNICIPAL ADVISOR

Montague DeRose and Associates, LLC, Westlake Village, California (the “Municipal Advisor”) has served as independent registered municipal advisor to the City in connection with the issuance of the Notes. The Municipal Advisor assisted the City in preparation of this Official Statement and in other matters related to the planning, structuring, execution and delivery of the Notes. The Municipal Advisor will receive compensation upon the sale and delivery of the Notes.

The Municipal Advisor has not audited, authenticated or otherwise independently verified the information set forth in this Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information. Because of this limited participation, the Municipal Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

UNDERWRITING

Pursuant to the terms and conditions of a Note Purchase Contract for the Notes (the “Purchase Contract”) between the City and Citigroup Global Markets Inc., on behalf of itself and as representative of Ramirez & Co., Inc. and TD Securities (USA) LLC (collectively, the “Underwriters”), the Underwriters have agreed to purchase the Notes from the City at an aggregate purchase price of \$ _____, representing the aggregate principal amount of the Notes, plus an original issue premium of \$ _____ less the Underwriters’ discount of \$ _____.

The Purchase Contract provides, among other things, that the obligations of the Underwriters are subject to certain terms, conditions and precedents, and that the Underwriters will be obligated to purchase all of the Notes offered under the Purchase Contract, if any of the Notes offered thereunder are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City, for which they received or will receive customary fees and expenses.

Citigroup Global Markets Inc., an underwriter of the Notes, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

TD Securities (USA) LLC (“TD Securities”), one of the Underwriters of the Notes, has entered into a negotiated dealer agreement (the “TD Dealer Agreement”) with TD Ameritrade for the retail distribution of certain securities offerings, including the Notes at the original issue price. Pursuant to the TD Dealer Agreement, TD Ameritrade may purchase Notes from the Underwriters at the original issue prices less a negotiated portion of the selling concession applicable to any of the Notes that TD Ameritrade sells.

MISCELLANEOUS

This Official Statement contains brief descriptions of, among other things, the Notes, the Note Resolution and the City. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by references to such documents, and references to the Notes are qualified in their entirety by reference to the form of Note included in the Note Resolution.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Notes.

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF LOS ANGELES

By: _____
Assistant City Administrative Officer

APPENDIX A
CITY OF LOS ANGELES
INFORMATION STATEMENT

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PART 1: FINANCIAL INFORMATION

Certain statements included or incorporated by reference in this Appendix A constitute “forward-looking statements.” Such forward-looking statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet City forecasts in any way, regardless of the level of optimism communicated in the information. The City has no plans to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, do not occur, or change.

In addition, this Appendix A contains historic financial, economic and demographic information regarding the City. Such information is limited to the time periods indicated and reflect data, assumptions and other information available as of the indicated dates. Certain of the information predates the COVID-19 pandemic. It is not possible to predict whether the trends shown continued beyond the historical data set forth herein (certain of which may be subject to subsequent adjustment) will continue..

Numbers in tables in this Appendix A may not sum to the total due to rounding.

OVERVIEW OF THE CITY'S FINANCIAL CONDITION

The COVID-19 Pandemic

The pandemic caused by the novel coronavirus COVID-19 (“COVID-19”) had significant material economic and social impacts on the City of Los Angeles (the “City”). The State of California (the “State”), the County of Los Angeles (the “County”) and the City took various actions designed to mitigate the spread of COVID-19. Since March 2020, residents of the City were subject to various orders and directives that suspended, reduced or prohibited various activities. The onset of the COVID-19 pandemic and the public health measures meant to control its spread brought on massive disruption to businesses, the economy, and society at large. In 2020, the impact of the pandemic to the economy was swift and uneven. Unemployment within the City increased from 4.7 percent (February 2020) to 19.4 percent (May 2020), three months following the most stringent public health restrictions.

While the pandemic significantly resulted in reductions in number of economically-sensitive City revenues, including sales, business and transient occupancy tax receipts, causing the City to anticipate major reductions in its reserves, federal funding allowed the City to balance its operations despite continued revenue losses. The three largest federal programs were the programs promulgated pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act,” which provided \$125 million to the General Fund in Fiscal Year 2020-21), \$1.279 billion from the American Rescue Plan Act’s State and Local Fiscal Recovery Funds program (“ARPA”) and reimbursements from the Federal Emergency Management Agency (“FEMA”). The first installment of ARPA funds (\$639.5 million) was received in May 2021 and the second equal installment [was] received in May 2022. While the City will be required to submit periodic reports, and disqualified uses would be subject to recoupment, the City expects to meet the Treasury Department’s requirements for the entire amount; approximately 85% of federal money is expected to qualify as revenue replacement, with the remaining 15% spent on standalone projects that have responded to the impacts of the pandemic. The City expects FEMA to reimburse 100 percent of eligible expenses, currently estimated to be \$352.2 million, although the scope and duration of the COVID pandemic has protracted the grant application, review and disbursement processes. See “GENERAL FUND RECEIPTS, Grant Receipts” line item.

The increasing size of the vaccinated population and declining hospitalization and death rates as a result of COVID-19 have lessened public health urgency. The City has experienced a significant economic recovery, generally restoring City revenues to pre-pandemic levels. This recovery, combined with the federal funding, has allowed the City to restore most of the funding reductions undertaken during the pandemic. In addition, federal funding allowed the City to fund certain new and increased services, including services to the City’s homeless population, COVID-19 vaccinations and other emergency responses, and increase capital spending.

Cyclical COVID-19 outbreaks—local or along the supply chain—continue to pose risks to the City’s projected revenue growth. Many adaptations and innovations in how people live, work and play will outlast the pandemic, shaping City revenues. In this new environment, more familiar risks such as inflation, interest rate increases, and conflict abroad have increased the immediate risk of a recession within the next year.

Financial Results and Budget

Because of the need to use reserves to address Fiscal Year 2019-20 pandemic-driven revenue shortfalls, the City began Fiscal Year 2020-21 with a Reserve Fund balance of \$262.5 million, or 3.9 percent of budgeted General Fund revenues. This represented the first time since Fiscal Year 2011-12 that the City began the fiscal year with a Reserve Fund balance less than 5 percent of General Fund revenues, the minimum prescribed by the City's Financial Policies ("Financial Policies"). See "BUDGET AND FINANCIAL OPERATIONS—Budgetary Reserves and Contingencies" and "—Financial Management Policies."

In Fiscal Year 2020-21, to address a potential budget gap of \$750 million, which included an estimated \$600 million in pandemic-driven decline in receipts, the Mayor and Council approved spending reductions, implemented a hiring moratorium, and curtailed certain City services. In addition, the City reached agreements with most of its employee organizations to defer previously scheduled wage increases, in exchange for the City refraining from using civilian layoffs, furloughs, and scheduled sidelining of fire engines or ambulances as budget balancing solutions in 2020-21. Various austerity measures, combined with ARPA and other federal assistance, allowed the City to balance its 2020-21 operations without drawing on reserves or deficit borrowing. The City began Fiscal Year 2021-22 with reserves of \$647 million or 8.6 percent of General Fund revenues. With the recovery of most revenues sources, combined with the receipt of federal funds (including the second allocation of \$639.5 million of ARPA funds), the City anticipates finishing 2021-22 with General Fund revenues exceeding expenditures by \$106.5 million.

The City's Adopted Fiscal Year 2022-23 Budget is balanced. The City expects to begin Fiscal Year 2022-23 with reserves totaling \$694 million, or 9.3 percent of budgeted revenues. Revenue assumptions for 2022-23 are based on current trends in receipts, analyses conducted by departments and relevant industry forecasts, and assume neither a new outbreak of a COVID-19 variant nor an economic downturn.

The Four-Year Budget Outlook (the "Outlook"), prepared annually in connection with the budget and last updated in connection with the Fiscal Year 2022-23 Adopted Budget, projects operating surpluses in each of the next four fiscal years. A major driver of these projections is the expectation that the City's contributions to its retirement systems have peaked and will decline in the future. While projections assume that revenue will increase based on historic growth, these projections use a lower rate for the assumed rate of salary growth. The Outlook projections assume that there will be no negotiated employee compensation increases after the expiration of current agreements, and exclude certain potential large capital projects. Revenue is assumed to continue to grow consistent with historical averages and recent trends in receipts; although, revised and adopted budget estimates for fiscal years 2021-22 and 2022-23 on economy-sensitive revenues like sales tax reflect the impact of inflation. "See "BUDGET AND FINANCIAL OPERATIONS—General Fund Budget Outlook."

Certain Significant Challenges

Homelessness. The City faces challenges in connection with its large homeless population. While voters approved Measure H, increasing County-wide sales taxes by ¼ percent to fund services to the homeless population, and Proposition HHH, authorizing \$1.2 billion in City general obligation bonds to finance low income and supportive housing, this funding is still inadequate to meet the needs of this population.

The pandemic has significantly increased the demands and costs of serving this particularly vulnerable population, although a significant share of those costs is expected to be reimbursed from federal and State funds. The 2022-23 Budget anticipates \$1.2 billion in spending to combat homelessness. This includes \$249 million in the General Fund spending, comprised of \$199 million in new funding and \$49 million from spending down a Reserve Fund loan approved in 2021-22. It also includes \$918 million in spending from various special funds, including federal and state grants, the City's Proposition HHH general obligation bonds, and new budget appropriations from various City special funds.

The City is subject to a lawsuit for violating various State and federal laws in connection with the City's and County's alleged failures in responding to homelessness, which may increase the City's financial obligations beyond the amount already allocated in the 2022-23 Budget. See "LITIGATION – *LA Alliance for Human Rights et al. v. City of Los Angeles et al.*"

Americans With Disabilities Act ("ADA") and other federal accessibility laws. The City has dealt with a number of claims and lawsuits pertaining to compliance with federal accessibility laws, several of which have involved housing projects as described under "LITIGATION." One of these matters involves litigation with the U.S. Department of Justice ("DOJ") over the City's alleged violation of the False Claims Act in connection with certain federal accessibility law compliance certifications. If the DOJ is successful, the City could face potential exposure to treble damages, which, based on certain private parties' original complaint, was estimated to be \$3 billion. Due to the preliminary nature of the matter, an estimable liability amount is difficult to ascertain at this time.

[Another area of potential financial impact involves the City's Pavement Preservation Program for street repairs. Certain of the activities under this program, such as street resurfacing and reconstruction, trigger the need for compliance with the ADA by updating existing access ramps or constructing new ramps where there are none. Preliminary estimates for the cost of such work range between \$105 million and \$250 million. These potential expenditures are in addition to those required by the settlement of previous litigation, *Willits, et al. v. City of Los Angeles*, under which the City will incur approximately \$1.4 billion over 30 years for various sidewalk remediation projects. Funding for this settlement is included within the City's budget. See "BUDGET AND Financial OPERATIONS—General Fund Budget Outlook" and "—Capital Program."]

MUNICIPAL GOVERNMENT

The City provides a full range of governmental services, which include police, fire and paramedics; residential refuse collection and disposal, wastewater collection and treatment, street maintenance, traffic management, storm water pollution abatement, and other public works functions; enforcement of ordinances and statutes relating to building safety; public libraries, recreation and parks and cultural events; community development, housing and aging services; and planning. The City also operates and maintains the water and power utilities, harbor and airport, all served by proprietary departments within the City.

The City is a charter city; under the State Constitution, charter cities such as the City are generally independent of the State Legislature in matters relating to municipal affairs. Charter cities, however, are subject to State Constitutional restrictions; see "LIMITATIONS ON TAXES AND APPROPRIATIONS." The most recent charter was adopted in 1999, became effective July 1, 2000, and has been amended a number of times by voter approval. In an amendment approved

by voters in 2015 (Charter Amendment 1), the City's primary and general election dates were moved to the spring (March or June) and November, respectively, of even-numbered years, beginning in 2020, in order to align them with federal and State elections. The measure also extended the terms of officials elected in 2015 and 2017; these candidates were given five and a half year terms instead of the customary four to transition to the new election dates.

The City is governed by the Mayor and the Council. The Mayor is elected at-large for a four-year term. As executive officer of the City, the Mayor has the overall responsibility for administration of the City. The Mayor recommends and submits the annual budget to the Council and passes upon subsequent appropriations and transfers, approves or vetoes ordinances, and appoints certain City officials and commissioners. The Mayor supervises the administrative process of local government and works with the Council in matters relating to legislation, budget, and finance. The Mayor operates an executive department, of which he is the ex-officio head. The current Mayor, Eric Garcetti, assumed office on July 1, 2013 and was elected to a second term on March 7, 2017, which will end on December 11, 2022 due to the change in election dates. President Biden has nominated Mr. Garcetti to serve as the United States ambassador to India; his nomination is pending Senate confirmation.

The Council, the legislative body of the City, is a full-time council. The Council enacts ordinances subject to the approval of the Mayor and may override the veto of the Mayor by a two-thirds vote. The Council orders elections, levies taxes, approves utility rates, authorizes public improvements, approves contracts, adopts zoning and other land use controls, and adopts traffic regulations. The Council adopts or modifies the budget proposed by the Mayor. It authorizes the number of employees in budgetary departments, creates positions and fixes salaries. The Council consists of 15 members elected by district for staggered four-year terms.

The other two elective offices of the City are the Controller and the City Attorney, both elected for four-year terms. The Controller is the chief accounting officer for the City. The current Controller, Ron Galperin, assumed office on July 1, 2013, and was elected to a second term on March 7, 2017, which will end on December 11, 2022 due to the change in election dates.

The City Attorney is attorney and legal advisor to the City and to all City boards, departments, officers, and entities, and prosecutes misdemeanors and violations of the Charter and City ordinances. The current City Attorney, Mike Feuer, assumed office on July 1, 2013, and was elected to a second term on March 7, 2017, which will end on December 11, 2022 due to the change in election dates.

All citywide elected officials are subject to term limits of two four-year terms, while Council members are subject to term limits of three four-year terms. Any vacancies in the offices of Mayor, City Attorney, Controller and members of the Council may be filled by Council by appointment (for a term up to the next second Monday in December of an even-numbered year) or special election. Upon any vacancy in the office of Mayor, the President of the Council shall immediately act as the Mayor and assume the powers and duties of the office while also continuing to perform the functions of member and President of the Council. The Council President will serve in this capacity as Acting Mayor until the office is filled by appointment or special election as provided in the Charter.

Under the Charter, the City holds both primary and general elections. In the event that any candidate receives a majority of the votes cast for an office at the primary nominating election, that candidate shall be elected to the office. In the event no candidate receives a majority of the votes cast for an office, the two candidates receiving the highest number of votes for the office

shall be the only candidates, for that office whose names shall appear on the ballots to be used at the general municipal election. All of the four citywide elected offices were on the primary election on June 7, 2022. [Results] [Races to appear on the November 8 general election.]

The CAO is the chief fiscal advisor to the Mayor and Council and reports directly to both. The CAO is appointed by the Mayor, subject to Council confirmation. Matt Szabo was confirmed as the CAO by Council on June 16, 2021.

The Office of Finance (“Finance”) serves as the custodian of all funds deposited in the City Treasury and all securities purchased by the City. Finance actively manages the investment of the City's general and special pool investment portfolios and cash programs. Finance also issues those licenses, permits, and tax registration certificates not issued by other city departments, including business tax certificates. The Director of Finance is appointed by the Mayor and confirmed by the Council. Diana Mangioglou has served as Director of Finance and City Treasurer since July 2020.

The City has 41 departments and bureaus for which operating funds are annually budgeted by the Council. Two of these departments, Youth Development and Community Investment for Families, were new as of July 1, 2021. Two additional departments, the Los Angeles City Employees’ Retirement System (“LACERS”) and the Los Angeles Fire and Police Pension Plan (“LAFPP”), are under the control of boards whose memberships consist of mayoral appointees and representatives elected by system members. In addition, three departments (the Department of Water and Power (“DWP”), the Harbor Department, and the Department of Airports) and one State-chartered public agency (the Housing Authority of the City) are under the control of boards appointed by the Mayor and confirmed by the Council.

BUDGET AND FINANCIAL OPERATIONS

Financial Reporting and Fiscal Year 2020-21 Results

The City prepares its financial statements in accordance with Generally Accepted Accounting Principles as promulgated by the Government Accounting Standards Board (“GASB”). Since 1999, GASB has required that basic financial statements include government-wide financial statements, which are designed to provide readers with a broad overview of the City’s finances. These statements are prepared using accounting methods similar to those used by private-sector businesses, including the accrual basis of accounting. The government-wide statement of net position presents information on all the City’s assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Various GASB rules have required the inclusion of both pension and retiree health liabilities in the government-wide financial statements. The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities).

The City’s Annual Comprehensive Financial Report (the “ACFR”) for the Fiscal Year Ended June 30, 2021 reported a deficit balance for the governmental activities’ unrestricted net position of \$7.535 billion, largely due to a net pension liability of \$8.856 billion and net liability of \$2.094 billion for Other Post-Employment Benefits such as health care (“OPEB”).

The primary focus of the ACFR is reporting on fund financial statements, designed to report information about groupings of related accounts that are used to maintain control over

resources that have been segregated for specific activities. The General Fund is the primary operating fund of the City, and the focus of this Appendix A. It is used to account for all financial resources of the general government, except those required to be accounted for in other funds.

The following two tables summarize financial information for the General Fund contained in the City’s audited Basic Financial Statements presented in the ACFR and prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) for the periods indicated. Results for Fiscal Year 2019-20 reflect an operating deficit and \$141 million reduction to Fund Balance resulting from the impact of the pandemic in the latter part of the fiscal year.

Table 1
BALANCE SHEETS FOR THE GENERAL FUND
For Fiscal Years Ending June 30
(\$ in thousands)

	2017	2018	2019	2020	2021
Assets					
Cash and Pooled Investments ⁽¹⁾	\$1,137,680	\$1,058,705	\$1,291,607	\$1,433,584	\$1,856,003
Other Investments	-	-	-	451	762
Taxes Receivable	650,932	669,205	675,777	682,470	782,303
Accounts Receivable	116,666	107,631	109,123	127,181	139,628
Special Assessments Receivable	3,421	3,040	3,174	2,863	3,550
Investment Income Receivable	7,992	12,985	15,680	10,014	7,812
Intergovernmental Receivable	133,018	143,773	149,002	152,247	193,305
Loans Receivable	-	-	-	42	1,331
Due from Other Funds	68,638	115,287	84,183	196,394	104,675
Inventories	33,158	33,004	46,653	42,053	39,760
Prepaid Items and Other Assets	5	5	7	11	34
Advances to Other Funds	12,317	8,814	8,688	20,831	21,374
Total Assets	<u>\$2,163,827</u>	<u>\$2,152,449</u>	<u>\$2,383,894</u>	<u>\$2,668,141</u>	<u>\$3,150,537</u>
Liabilities:					
Accounts, Contracts and Retainage Payable	\$ 87,887	\$ 83,488	\$ 93,312	\$ 254,392 ⁽⁵⁾	\$ 272,990
Obligations Under Securities Lending Transactions	13,914	33,339	21,874	13,799	19,333
Accrued Salaries and Overtime Payable	192,538	203,015	221,902	252,022	120,242
Accrued Compensated Absences Payable	9,887	9,254	8,381	7,912	11,529
Estimated Claims and Judgments Payable	65,534	69,831	66,284	35,741	37,511
Intergovernmental Payable	579	493	56	1,010	882
Due to Other Funds	90,237	133,283	141,905	188,702	174,796 ⁽⁶⁾
Unearned Revenue	421	972	1,535	-	322,085 ⁽⁷⁾
Deposits and Advances	34,724	9,094	12,974	9,184	11,901
Advances from Other Funds	24,032	18,391	12,499	131,093	81,148
Other Liabilities	143,892	45,737	37,248	53,177	89,104
Total Liabilities	<u>\$ 663,645</u>	<u>\$ 606,897</u>	<u>\$ 617,970</u>	<u>\$ 947,032</u>	<u>\$ 1,141,521</u>
Deferred Inflows of Resources					
Real Estate Tax	\$ 58,304	\$ 62,674	\$ 68,813	\$ 88,615	\$ 88,635
Taxes Other than Real Estate	348,324	344,215	377,206	398,251	431,719
Receivables from Other Government Agencies	121,432	125,663	131,890	129,309	142,325
Interest Receivable on Loans and Others	85,894	83,785	81,974	112,805	122,360
Total Deferred Inflows of Resources	<u>\$ 613,954</u>	<u>\$ 616,337</u>	<u>\$ 659,883</u>	<u>\$ 728,980</u>	<u>\$ 785,039</u>
Fund Balances					
Nonspendable ⁽²⁾	\$ 45,480	\$ 41,823	\$ 55,348	\$ 62,895	\$ 61,168
Restricted	-	-	-	-	-
Committed	9,723	25,151	33,092	37,386	71,733
Assigned ⁽³⁾	304,482	289,080	334,195	356,167	426,654
Unassigned ⁽⁴⁾	526,543	573,161	683,406	535,681	664,422
Total Fund Balances	<u>\$ 886,228</u>	<u>\$ 929,215</u>	<u>\$1,106,041</u>	<u>\$ 992,129</u>	<u>\$1,223,977</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$2,163,827</u>	<u>\$2,152,449</u>	<u>\$2,383,894</u>	<u>\$2,668,141</u>	<u>\$3,150,537</u>

(1) Includes securities held under securities lending transactions, offset by the Liability “Obligations Under Securities Lending Transactions.”

(2) Includes inventories and certain advances to other funds.

(3) Includes encumbrances, various revolving funds, and certain net receivables.

(4) Primarily consists of the City’s Reserve Fund and Budget Stabilization Fund.

(5) The significant increase in Accounts Payable balances beginning in Fiscal Year 2019 is due to the implementation of GASB 84, which reclassifies what were previously Business-Type Funds (Custodial Funds) to Governmental Funds.

(6) Includes approximately \$90.8 million to be paid to the City’s wastewater enterprise fund, which may be accelerated in connection with potential budgetary constraints of the wastewater enterprise fund.

(7) Represents unspent cash balances of ARPA receipts.

Source: City of Los Angeles, ACFRs.

Table 2
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES FOR THE GENERAL FUND
For Fiscal Years Ending June 30
(\$ in thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues:					
Property Taxes	\$1,857,683	\$1,958,033	\$2,075,764	\$2,213,899	\$2,401,848
Sales Taxes	521,910	534,236	596,465	536,362	562,217
Utility Users Taxes	611,160	640,711	606,369	643,564	610,946
Business Taxes	546,494	534,994	617,169	668,035	686,520
Other Taxes	641,755	688,804	729,649	620,653	521,955
Licenses and Permits	37,133	38,777	34,157	34,999	29,390
Intergovernmental	15,337	17,822	23,062	27,284	28,145
Charges for Services	243,379	315,900	306,462	351,983	358,772
Services to Enterprise Funds	328,511	316,245	326,650	368,706	328,481
Fines	147,023	141,346	135,526	113,643	100,559
Special Assessments	1,490	1,755	1,825	769	1,731
Investment Earnings	25,353	33,024	84,257	99,248	28,579
Change in Fair Value of Investments ⁽¹⁾	(23,740)	(26,754)	-	-	(34,572)
Other	<u>54,116</u>	<u>55,039</u>	<u>99,717</u>	<u>65,406</u>	<u>46,107</u>
Total Revenues	<u>\$5,007,604</u>	<u>\$5,249,932</u>	<u>\$5,637,072</u>	<u>\$5,744,551</u>	<u>\$5,670,678</u>
Expenditures:					
Current:					
General Government ⁽²⁾	\$1,356,842	\$1,332,676	\$1,336,331	\$1,553,572	\$1,478,060
Protection of Persons and Property	2,874,117	2,963,819	3,095,356	3,269,764	3,221,865
Public Works	268,201	186,390	193,846	219,657	147,933
Health and Sanitation	87,722	95,705	111,680	107,329	121,325
Transportation	129,893	119,240	107,590	102,720	112,490
Cultural and Recreational Services	12,222	61,996	61,120	52,220	44,018
Community Development	79,002	39,074	54,000	84,944	134,074
Capital Outlay	23,359	27,858	110,000	54,241	29,164
Debt Service: Interest	9,116	13,524	23,538	19,609	5,194
Debt Service: Cost of Issuance	<u>931</u>	<u>763</u>	<u>518</u>	<u>559</u>	<u>1,103</u>
Total Expenditures	<u>\$4,841,405</u>	<u>\$4,841,045</u>	<u>\$5,093,979</u>	<u>\$5,464,615</u>	<u>\$5,295,226</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 166,199</u>	<u>\$ 408,887</u>	<u>\$ 543,093</u>	<u>\$ 279,936</u>	<u>\$ 375,452</u>
Other Financing Sources (Uses)					
Transfers In	\$ 297,649	\$ 277,315	\$ 265,723	\$ 292,948	\$ 584,808 ⁽⁵⁾
Transfers Out ⁽³⁾	(603,044)	(643,061)	(724,032)	(714,147)	(728,412)
Loans from Capital Leases	<u>-</u>	<u>-</u>	<u>78,393⁽⁶⁾</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(305,395)</u>	<u>(365,746)</u>	<u>(\$379,916)</u>	<u>(\$421,199)</u>	<u>(\$143,604)</u>
Net Change in Fund Balance	(139,196)	43,141	163,177	(141,263)	231,848
Fund Balances, July 1	1,028,311 ⁽³⁾	886,228	929,215	1,106,041	992,129
Cumulative Effect of Change in Accounting Principle ⁽⁴⁾	-	-	-	27,351	-
(Decrease) Increase in Reserve for Inventories	<u>(2,887)</u>	<u>(154)</u>	<u>13,649</u>	<u>-</u>	<u>-</u>
Fund Balances, July 1 Restated	-	-	-	1,133,392	-
Fund Balances, June 30	<u>\$ 886,228</u>	<u>\$ 929,215</u>	<u>\$1,106,041</u>	<u>\$ 992,129</u>	<u>\$1,223,977</u>

(1) When minor, any losses due to fair market valuation is netted out of interest earnings. Losses were reported separately in Fiscal Years 2016-17, 2017-18 and 2020-21 to provide a more meaningful picture of real investment earnings.

(2) The increase in general government expenditures from 2019 to 2020 primarily represent the purchase of testing kits and personal protective equipment for COVID-19 and the construction costs of multiple homeless projects.

(3) Includes transfers to other funds to pay for General Fund lease-financing obligations, parks and recreational facilities, libraries, housing and community programs, arts and cultural facilities, and other departmental operations.

(4) In compliance with implementation guidelines for GASB Statement 84, certain activities were re-categorized from a Fiduciary Fund type to the appropriate governmental funds, including the General Fund as reported above.

(5) Includes \$317 million in ARPA funds.

(6) Represents certain privately placed financings for the acquisition of equipment.

Source: City of Los Angeles, ACFRs.

City's Budgetary Process

The City's fiscal year extends from July 1 through June 30. Under the Charter, the Mayor is required each year to submit to the Council a Proposed Budget (the "Proposed Budget") by April 20. The Proposed Budget is based on the Mayor's budget priorities and includes estimates of receipts from the City's various revenue sources. By Charter, the Mayor presents and the Council adopts a balanced budget with no deficit.

The Mayor's Proposed Budget is reviewed by the Council's Budget and Finance Committee, which reports its recommendations to the full Council. The Council is required by Charter to adopt the Mayor's Proposed Budget, as modified by the Council, by June 1. If Council does not act on the Mayor's Proposed Budget by June 1, pursuant to the City Charter, the Mayor's Proposed Budget becomes the City Budget for the ensuing fiscal year, which occurred in 2020 with respect to the 2020-21 Budget. If the Council acts and modifies the Mayor's Proposed Budget, the Mayor has five working days after adoption to approve or veto any items modified by the Council. The Council then has five working days to override by a two-thirds vote any items vetoed by the Mayor. After that time, the budget becomes the "Adopted Budget."

The budget is subject to revision throughout the fiscal year to reflect any changes in revenue and expenditure projections. During the fiscal year, the City monitors its revenues, expenditures and reserve estimates, and the CAO issues interim financial status reports (each an "FSR") as deemed appropriate. These reports identify various potential expenditures that could exceed budgeted amounts and recommend transfers to address them. These reports also update revenue projections and the condition of budgetary reserves and raise issues of concern. These and other changes approved by the Mayor and Council throughout the fiscal year become the basis of the "revised budget" reported in each subsequent year's Proposed and Adopted Budget.

Additional information concerning the City's financial condition may be found on the website of the CAO at <http://cao.lacity.org/budget/FSR.htm>; except for the discussion below, such information is not incorporated as part of this Official Statement.

Fiscal Year 2020-21

Because of the need to use reserves to address Fiscal Year 2019-20 pandemic-driven revenue shortfalls, the City began Fiscal Year 2020-21 with a Reserve Fund balance of \$262.5 million, or 3.9 percent of budgeted General Fund revenues. This represented a reduction of the Reserve Fund balance from \$407.3 million as of July 1, 2019 and was the first time since 2011-12 that the City began the fiscal year with a Reserve Fund balance less than 5 percent of General Fund revenues, the minimum prescribed by the City's Financial Policies ("Financial Policies").

To address a potential budget gap of \$750 million, which included an estimated \$600 million in pandemic-driven decline in receipts, the Mayor and Council approved various spending reductions. In addition, the City reached agreements with most of its employee organizations to defer previously scheduled wage increases, in exchange for the City refraining from using civilian layoffs, furloughs, and scheduled sidelining of fire engines or ambulances as possible budget balancing solutions in 2020-21. Consistent with the terms of these agreements, the City has reopened negotiations with its employee organizations to discuss the possibility of restoring

deferred salaries or making other salary modifications. See “BUDGET AND FINANCIAL OPERATIONS – Labor Relations.”

These austerity measures combined with federal assistance, particularly from ARPA, allowed the City to balance its budget without drawing on reserves or deficit borrowing. See “BUDGET AND FINANCIAL OPERATIONS—Budgetary Reserves and Contingencies.”

Fiscal Year 2021-22 [to be updated with final FSR]

Fiscal Year 2021-22 represents a significant reversal from the prior year, with ARPA funds accounting for an additional \$639.5 million in revenues available for eligible General Fund expenditures. In addition, most City revenues have returned to pre-pandemic levels. Actual General Fund revenues are now expected to exceed the estimates contained in the 2021-22 Adopted Budget by 1.4 percent, resulting in \$106.5 million in additional revenues, representing a 7.0 percent increase from 2020-21 actual receipts. Notwithstanding the growth, revenues from transient occupancy taxes and parking-related receipts have not fully returned to trends seen prior to the pandemic.

[to be updated][As in every fiscal year, the City has needed to address various expenditure pressures from departmental over-expenditures, totaling approximately \$107 million [\$45 million addressed in first FSR, \$25 million of potential future actions, leaving a remaining expenditure gap of \$37 million in the second FSR.] Various transfers were required, including from the Reserve Fund, to address such overspending, finance opportunistic affordable housing projects, and the first installment of bonuses from the reopening of labor agreements.]

Fiscal Year 2022-23 Adopted Budget

Total proposed General Fund revenue for 2022-23 is \$7.45 billion, which represents a decrease of 2.2 percent from the revised revenue for 2021-22. This decrease is driven by the cessation of ARPA relief. After netting one-time revenues such as federal and State COVID-19 related funding, total General Fund revenue in the 2022-23 Budget are 9.1 percent higher than the original 2021-22 Adopted Budget, and an increase of 6.7 percent above the revised budget that reflects current expectations. The Adopted Budget balances significant investments to combat homelessness and improve public safety (by conducting additional training classes for police officers and fire fighters to fill vacant positions), while maintaining the City’s long-term fiscal health by increasing reserves.

At the height of the pandemic, the City renegotiated terms of MOUs with the majority of its labor organizations whose salaries most significantly impact the City’s General Fund. The renegotiated terms included deferring previously scheduled wage increases. The renegotiated MOUs were reopened consistent with their provisions. One-time bonuses have been agreed to with the Coalition of L.A. City Unions and will be paid with existing funding in 2021-22 and are included in the 2022-23 Budget. The 2022-23 Budget also includes an allocation of \$93 million in the Unappropriated Balance toward “Department Payroll Reconciliation” to finance one-time bonuses stemming from the reopening of agreements with other bargaining units, including those that have been finalized since the release of the 2022-23 Proposed Budget. See “BUDGET AND FINANCIAL OPERATIONS – Labor Relations.”

The following table presents the 2022-23 Budget and the Adopted Budgets for the preceding Fiscal Years. These budgets include the General Fund and most special revenue funds,

but exclude those operations not under the direct control of the Council (i.e., Airports, Harbor, Water and Power departments, LACERS and LAFPP). The table does not reflect changes made to the budgets subsequent to their original adoption, which for Fiscal Years 2019-20 and 2020-21 in particular were substantial due to pandemic-related revenue shortfalls. With respect to both the historical budgetary information and the projected budgetary information set forth below and elsewhere in this Appendix A, it is not possible to predict whether the trends set forth in the tables will continue in the future.

Table 3
CITY OF LOS ANGELES ADOPTED BUDGET
(ALL BUDGETED FUND TYPES)

Revenues	2018-19	2019-20	2020-21	2021-22	2022-23
General Fund					
Property Taxes ⁽¹⁾	\$1,961,509,000	\$2,115,611,000	\$2,297,080,000	\$2,400,250,000	\$2,535,005,000
Property Tax – Ex-CRA Tax Increment	97,252,000	100,386,000	95,900,000	111,990,000	153,800,000
Other Taxes ⁽²⁾	2,449,948,000	2,564,605,000	2,424,603,000	2,442,702,000	2,783,590,000
Licenses, Permits, Fees and Fines ⁽³⁾	1,350,888,130	1,432,853,292	1,560,189,689	1,466,009,998	1,526,675,386
Intergovernmental ⁽⁴⁾	238,000,000	235,600,000	224,100,000	225,819,000	229,721,000
Other General Fund ⁽⁵⁾	60,861,940	83,994,246	50,856,187	835,848,794	180,646,799
Interest	32,137,000	36,700,000	34,613,000	20,603,000	36,610,000
Total General Fund Revenue	\$6,190,596,070	\$6,569,749,538	\$6,687,341,876	\$7,503,222,792	\$7,446,048,185
Special Purpose Funds					
Charges for Services and Operations ⁽⁶⁾	\$1,625,828,317	\$1,832,475,709	\$1,713,546,262	\$1,847,751,480	\$1,830,989,196
Transportation Funds ⁽⁷⁾	496,879,264	618,102,159	597,452,919	723,456,411	597,939,683
Intergovernmental ⁽⁸⁾	86,886,108	86,722,284	81,462,581	88,583,085	95,136,855
Special Assessments ⁽⁹⁾	100,302,644	147,298,081	141,094,694	142,634,911	139,692,632
Other Special Funds	539,171,433	532,703,902	553,533,278	415,245,517	671,570,708
Available Balances	740,937,349	784,687,123	628,390,708	640,068,929	858,927,465
Total Special Fund Revenue	\$3,590,005,115	\$4,001,989,258	\$3,715,480,442	\$3,857,741,333	\$4,194,256,536
City Levy for Bond Redemption and Interest	119,167,296	138,339,047	128,455,723	119,324,987	114,743,691
Total Receipts	\$9,899,768,481	\$10,710,077,843	\$10,531,278,041	\$11,480,288,112	\$11,755,048,415
Appropriations by Funding Source					
General Fund					
Fire Department	\$ 662,270,767	\$ 682,509,340	\$ 723,143,241	\$737,168,351	\$771,870,860
Police Department	1,551,479,094	1,676,632,617	1,796,387,613	1,702,988,343	1,803,434,641
Other Budgetary Departments	867,370,474	971,170,179	886,359,305	965,733,465	1,097,320,359
Tax and Revenue Anticipation Notes ⁽¹⁰⁾	1,208,676,507	1,302,296,587	1,323,536,029	1,333,686,071	1,336,147,626
Capital Finance Administration ⁽¹¹⁾	221,353,665	223,750,313	211,750,313	224,436,534	228,856,646
Human Resources Benefits	730,656,927	743,564,377	800,593,969	774,377,710	805,331,098
Other General Fund Appropriations	948,788,636	969,826,125	945,571,406	1,764,832,318	1,403,086,955
Total General Fund	\$6,190,596,070	\$6,569,749,538	\$6,687,341,876	\$7,503,222,792	\$7,446,048,185
Special Purpose Funds					
Budgetary Departments	\$1,109,884,995	\$1,206,897,557	\$1,156,287,496	\$1,197,358,719	\$1,294,936,702
Appropriations to Proprietary Departments	102,313,802	117,561,561	113,351,104	129,147,678	132,455,098
Capital Improvement Expenditure Program	362,899,021	428,132,311	346,768,984	355,098,353	470,666,423
Wastewater Special Purpose Fund	559,438,564	597,021,942	576,990,112	576,990,112	614,790,415
Appropriations to Special Purpose Funds	1,455,468,733	1,652,375,887	1,522,082,746	1,599,145,471	1,681,407,901
Total Special Funds	\$3,590,005,115	\$4,001,989,258	\$3,715,480,442	\$3,857,740,333	\$4,194,256,539
Bond Redemption and Interest Funds					
General Obligation Bonds	\$ 119,167,296	\$ 138,339,047	\$ 128,455,723	\$ 119,324,987	\$ 114,743,691
Total (All Purposes)	\$9,899,768,481	\$10,710,077,843	\$10,531,278,041	\$11,480,288,112	\$11,755,048,415

- (1) Property taxes include all categories of the City allocation of 1% property tax collections such as secured, unsecured, State replacement, redemptions and penalties, supplemental receipts and other adjustments and is net of refunds and County charges. Also included are property taxes remitted to the City as replacement revenue for both State Vehicle License Fees and sales and use taxes.
- (2) Other taxes include utility users tax, business tax, sales tax, transient occupancy tax, documentary transfer tax, parking occupancy tax, and residential development tax. See “MAJOR GENERAL FUND REVENUE SOURCES” for a discussion of these taxes.
- (3) This item has been renamed “Departmental Receipts” beginning with the Fiscal Year 2020-21 Budget. Also includes State Vehicle License Fees, parking fines and franchise income.
- (4) Intergovernmental revenues include proprietary departments’ transfers.
- (5) Other General Fund receipts include grant receipts, tobacco settlement, transfers from the Special Parking Revenue Fund, Telecommunications Development Account Fund, and any transfers from the Reserve Fund or the Budget Stabilization Fund. For 2021-22, this item includes one-time revenues from ARPA.
- (6) Major revenue sources include the Sewer Construction and Maintenance Fund, the Convention Center Revenue Fund, the Special Parking Revenue Fund, the Zoo Enterprise Fund, the Building and Safety Building Permit Enterprise Fund, the Street Damage and Restoration Fee, and the Refuse Collection Fee.
- (7) Revenue sources include the Special Gas Tax Street Improvement Fund, the Proposition A Local Transit Improvement Fund, the Proposition C Anti-Gridlock Transit Improvement Fund, the Measure R Traffic Relief and Rail Expansion Fund, the Road Maintenance and Rehabilitation Program Fund, and the Measure M Local Return Fund.
- (8) Intergovernmental receipts include the Community Development Block Grant, the Local Public Safety Fund, and the Workforce Innovation Opportunity Act Fund.
- (9) Special Assessments include the Street Lighting Maintenance Assessment Fund, the Stormwater Pollution Abatement Fund, the Measure W – Safe, Clean Water - Regional Projects Special Fund, and the Measure W – Safe, Clean Water – Municipal Program Special Fund.
- (10) A significant portion of the City’s TRAN proceeds are used to pay the annual contribution to LACERS and LAFPP. The budget line item for TRAN repayment is primarily for principal for this portion of the program and is made in lieu of direct appropriations for contributions to the two retirement systems. See “FINANCIAL OPERATIONS – Retirement and Pension Systems.” Interest due on the TRAN is also included in this line item.
- (11) This fund is used to make lease payments on various lease revenue bonds, privately placed leases and commercial paper notes.

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

General Fund Budget Outlook

The CAO periodically prepares a four-year Outlook, which compares projected revenues to projected expenditures in order to identify trends and potential future pressures. The most recent Outlook, presented below, was prepared in connection with the 2022-23 Adopted Budget (referred to as “the Outlook,” herein).

Each Outlook the CAO prepares begins with the balanced budget for the current budget year, in compliance with the City’s requirement to adopt a balanced budget, and projects revenue and expenditure changes for the next four fiscal years. The Outlook projects structural balance over each of the next four years. Historically, prior Outlooks have generally projected budget deficits that would need to be addressed with the adoption of budgets in future fiscal years.

A key factor in the City’s achievement of structural balance has been the projected stabilization of its contribution to its two retirement systems, which are projected to decline over the next four years. One factor in that stabilization has been the high investment returns experienced in 2020-21, averaging approximately 30%. Future contributions will increase to the extent that, among other things, investment returns are lower than the assumed interest rate.

The methodology for preparing the Outlook tends to result in the rate of revenue growth exceeding that of projected salary growth in the out years. Revenue growth projections are based on a continuation of historical trends, while expenditure growth accounts primarily for known increases. For example, the Outlook does not assume any increases in employee compensations arising from labor agreements beyond those already in place and “natural” cost growth from such events as promotions and salary step-increases. New labor agreements are likely to increase salary costs in the out years.

The Outlook also does not include certain potentially large capital expenditures, including potential expenditures in connection with the City’s Civic Center Master Plan, restoration of the Los Angeles River, or mitigation of stormwater pollution, which the City has yet to approve. Also, the Outlook does not assume a new outbreak of a COVID-19 variant or an economic downturn. The Outlook does project annual expenditures of \$34 million to \$50 million for the Los Angeles Convention Center to be used for direct expenditures or to pay debt service, which the City has also yet to approve.

Table 4
GENERAL FUND BUDGET OUTLOOK
As prepared and updated in connection with the Fiscal Year 2022-23 Budget
(\$ in millions)

	Adopted <u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>
Estimated General Fund Revenues:					
General Fund Base ⁽¹⁾	\$7,503.2	\$7,446.0	\$7,618.0	\$7,865.3	\$8,046.1
Revenue Growth ⁽²⁾					
Property Related Taxes ⁽³⁾	248.1	75.2	140.1	146.6	153.4
Business and Sales Taxes ⁽⁴⁾	168.5	56.0	53.9	52.0	50.1
Utility Users Tax ⁽⁵⁾	9.1	5.1	6.6	8.0	9.3
Departmental Receipts ⁽⁶⁾	28.2	46.6	38.9	40.1	41.3
Other Fees, Taxes, and Transfers ⁽⁷⁾	175.0	12.6	7.8	(65.9)	2.2
American Rescue Plan (ARPA) Fund Transfer ⁽⁸⁾	(639.5)	-	-	-	-
SPRF Transfer ⁽⁹⁾	21.9	(6.9)	-	-	-
Transfer from the Budget Stabilization Fund ⁽¹⁰⁾	-	-	-	-	-
Transfer from Reserve Fund ⁽¹¹⁾	(68.5)	(16.6)	-	-	-
Total Revenues	\$7,446.0	\$7,618.0	\$7,865.3	\$8,046.1	\$8,302.4
<i>General Fund Revenue Increase (Decrease)%</i>	<i>(0.8)%</i>	<i>2.3%</i>	<i>3.2%</i>	<i>2.3%</i>	<i>3.2%</i>
<i>General Fund Revenue Increase (Decrease) \$</i>	<i>(57.2)</i>	<i>172.0</i>	<i>247.3</i>	<i>180.8</i>	<i>256.3</i>
Estimated General Fund Expenditures:					
General Fund Base ⁽¹²⁾	\$7,503.2	\$7,446.0	\$7,566.1	\$7,650.6	\$7,625.2
Incremental Changes to Base ⁽¹³⁾					
Employee Compensation Adjustments ⁽¹⁴⁾	103.8	194.1	68.9	59.1	60.3
City Employees' Retirement System ⁽¹⁵⁾	35.1	81.7	(9.8)	(52.9)	4.5
Fire and Police Pensions ⁽¹⁵⁾	(61.1)	(87.7)	(35.3)	(24.3)	(12.6)
Workers Compensation Benefits ⁽¹⁶⁾	24.4	6.9	7.5	8.7	10.4
Health, Dental and Other Benefits ⁽¹⁷⁾	6.5	20.9	28.6	30.1	31.8
Debt Service ⁽¹⁸⁾	4.4	10.2	7.5	(1.7)	10.7
Delete Resolution Authorities ⁽¹⁹⁾	(95.2)	-	-	-	-
Add New and Continued Resolution Authorities ⁽¹⁹⁾	123.4	-	-	-	-
Delete One-Time Costs ⁽²⁰⁾	(178.5)	(23.9)	-	-	-
Add One-Time Costs ⁽²⁰⁾	52.7	-	-	-	-
Comprehensive Homeless Strategy ⁽²¹⁾	(25.6)	(54.7)	-	-	-
Unappropriated Balance ⁽²²⁾	(212.8)	(106.6)	(0.9)	(74.6)	(6.8)
CTIEP-Municipal Facilities and Physical Plant ⁽²³⁾	(12.0)	(15.2)	0.7	(0.4)	0.7
CTIEP-Sidewalks ⁽²⁴⁾	(5.1)	11.9	-	-	-
CTIEP-Pavement Preservation ⁽²⁵⁾	11.7	3.1	3.1	3.2	3.3
Appropriation to the Reserve Fund ⁽²⁶⁾	-	-	-	-	-
Appropriation to the Budget Stabilization Fund ⁽²⁷⁾	-	-	-	-	-
Net-Other Additions and Deletions ⁽²⁸⁾	171.1	79.4	14.1	27.4	35.2
Total Expenditures	\$7,446.0	\$7,566.1	\$7,650.6	\$7,625.2	\$7,762.7
<i>Expenditure Growth (Reduction) %</i>	<i>(0.8)%</i>	<i>1.6%</i>	<i>1.1%</i>	<i>(0.3)%</i>	<i>1.8%</i>
<i>Expenditure Growth (Reduction) \$</i>	<i>(57.2)</i>	<i>120.1</i>	<i>84.5</i>	<i>(25.4)</i>	<i>137.5</i>
TOTAL BUDGET SURPLUS (GAP)⁽²⁹⁾	\$ -	\$ 51.9	\$ 214.7	\$ 420.9	\$ 539.7
<i>Incremental Increase \$</i>	<i>-</i>	<i>51.9</i>	<i>162.8</i>	<i>206.2</i>	<i>118.8</i>

REVENUE

- (1) General Fund (GF) Base: The revenue base for each year represents the prior year's estimated revenues. Each year's Total Revenue incorporates revised estimates for prior year receipts, adds revenue growth, and subtracts revenue reductions to the GF Base.
- (2) Total City revenue growth for outgoing years is estimated between 2.3 and 3.2 percent. Unless otherwise noted, individual revenue sources reflect continuing growth in fiscal years 2023-24 through 2026-27 based on historical average receipts. The amounts represent projected incremental change to the base. The revenue growth amounts deduct one-time receipts from the estimated revenue growth for the following fiscal year.
- (3) Property Related Taxes include all property tax revenues, Documentary Transfer Tax, Residential Development Tax, and the redirection of ex-CRA tax increment monies. Assessed Value growth in property tax is projected at 6.0 percent for 2022-23 based on assumptions for the full two percent inflationary adjustment to secured receipts; stable unsecured and supplementary receipts; flat refund activity; and decreasing redemptions.
- Documentary Transfer is a volatile revenue in particular when sales volume and price move together. 2022-23 revenue assumes slowing price growth and lower sales activity, resulting in a negligible drop in receipts. Outgoing years assumes historical growth.
- The Residential Development Tax is correlated with building permit activity. The 2022-23 revenue reflects average annual revenue and permitting activity is assumed to remain stable in outgoing years.

Table 4
GENERAL FUND BUDGET OUTLOOK
As prepared and updated in connection with the Fiscal Year 2022-23 Budget
(\$ in millions)

- Ex-CRA tax increment revenue growth is irregular. The estimate for 2022-23 is partly based on the Recognized Obligation Payment Schedule (ROPS) and includes additional one-time miscellaneous revenue from surplus property sales. Growth in subsequent fiscal years align with property tax growth assumptions.
- (4) Business tax estimates for 2022-23 reflect the recovery and subsequent return to average growth in receipts from non-cannabis activity and negligible growth in cannabis-related business activity. Outgoing years assume growth in line with the current trend in receipts. Sales tax revenue estimates reflect recovery from the pandemic-driven recession with subsequent years representing a return to pre-pandemic growth.
- (5) Electricity Users tax revenue is based on estimates provided by the Department of Water and Power. 2022-23 and outgoing years assume pre-pandemic average growth. Gas users tax revenue for 2022-23 accounts for the final year of a three-year rate reduction stemming from a class-action lawsuit settlement. Consumption and prices are assumed to remain stable in 2023-24 and subsequent years. The decline in communication users tax (CUT) revenue has accelerated with strategic wireless plan pricing and decreased landline use. 2022-23 and outgoing years assume an ongoing drop in CUT receipts.
- (6) The projected revenue growth in departmental receipts inclusive of License, Permits, Fees, and Fines are dependent on policy decisions to increase departmental fees, collect full overhead cost reimbursements on Special Funds with sufficient capacity to do so, and increase reimbursements for those funds that have historically received a General Fund subsidy. 2023-24 estimates assume higher growth in receipts to return to the pre-pandemic level with growth slowing to 3.0 percent in outgoing years.
- (7) Transient occupancy tax revenue from hotels and short-term rentals for 2022-23 through 2023-24 reflect a return to pre-pandemic growth with subsequent years reflecting historical growth. Parking Occupancy tax assumes high growth in 2022-23 through 2023-24 receipts to reflect a return to pre-pandemic levels and 2024-25 through 2026-27 assume historical growth. The Power Revenue Transfer estimate for 2022-23 is provided by the Department of Water and Power based on assumptions for estimated 2021-22 Power System revenue. The final transfer amount may be adjusted to conform to actual 2021-22 Power System revenue in accordance with audited financial statements. Outgoing years assume an average of amounts transferred since a transfer limit was established. Grant revenue for 2022-23 is based on anticipated grant receipts and average growth is assumed for outgoing years. Additional receipts from the Federal Emergency Management Agency (FEMA) for reimbursement of pandemic-response costs are assumed through 2025-26 with greatly increased receipts in 2023-24 and 2024-25.
- (8) The American Rescue Plan Act (ARPA) fiscal recovery funds received in 2021-22 represented the City's second tranche of \$639.5 million out of a full allocation of \$1.28 billion. ARPA funds were one-time revenues and are not continued in 2022-23.
- (9) Revenue from the Special Parking Revenue Fund (SPRF) represents the projected surplus that may be available to transfer to the General Fund after accounting for debt service and other expenditures associated with the maintenance, upgrades, and repairs of parking structures, meters, and related assets. The annual base-level surplus is \$23.5 million. Any amounts above this are considered one-time receipts and deducted from the estimated revenue growth for the following fiscal year. The transfer in 2021-22 was budgeted at \$8.5 million and the 2022-23 Budget assumes a \$30.4 million surplus available for transfer. Subsequent years assume the base transfer amount of \$23.5 million.
- (10) The Outlook does not include any transfers from the Budget Stabilization Fund (BSF).
- (11) The transfer from the Reserve Fund in 2022-23 is \$16.6 million, which is \$68.5 million less than the 2021-22 amount. The Outlook does not assume any transfers in subsequent years.

ESTIMATED GENERAL FUND EXPENDITURES:

- (12) General Fund Base: The General Fund base carries over all estimated General Fund expenditures from the prior year to the following fiscal year.
- (13) Incremental changes to the Base: The 2022-23 amount reflects funding adjustments to the prior fiscal year General Fund budget. The expenditures included for subsequent years represent major expenses known at this time and are subject to change.
- (14) Employee Compensation Adjustments: The 2022-23 amount includes employee compensation adjustments consistent with existing labor agreements, as amended, and all other required salary adjustments. Fiscal years 2023-24 through 2026-27 reflect restoration of one-time salary reductions from the prior year and full-funding for partially financed positions. The Outlook does not include projections for future compensation adjustments from future labor agreements, although it does include a two percent annual increase to account for natural salary growth. Most current agreements expire in 2022-23 or 2023-24.
- (15) City Employees' Retirement System (LACERS) and Fire and Police Pensions (LAFPP): The contribution rates are based on information that the systems' actuary calculated and includes the employee compensation adjustment assumptions above. In 2020, the board of commissioners for LACERS and LAFPP adopted economic and demographic assumption changes, including reducing the assumed investment rate of return from 7.25 percent to 7.00 percent. The contribution rates below include the adopted assumption changes. The 2021-22 investments return of 0 percent reflects lower than anticipated returns based on unaudited returns to date.

Assumptions	LACERS and LAFPP					
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
LACERS						
6/30 th Investment Returns	0.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Combined Contribution Rate	32.15%	33.16%	32.08%	30.91%	28.05%	27.69%
LAFPP						
6/30 th Investment Returns	0.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Combined Contribution Rate	45.89%	41.84%	33.45%	30.58%	28.57%	27.27%

Table 4
GENERAL FUND BUDGET OUTLOOK
As prepared and updated in connection with the Fiscal Year 2022-23 Budget
(\$ in millions)

- (16) Workers' Compensation Benefits: The projection reflects a March 2022 actuarial analysis. They reflect the impact of both current and projected future COVID-19 claims.
- (17) Health, Dental, and Other Benefits: The projection incorporates all known cost-sharing provisions adopted into labor agreements for the civilian and sworn populations. It assumes that net enrollment will increase an average of one percent for the civilian and sworn populations. Benefit rate increase assumptions are consistent with historical trends.
- (18) Debt Service: The debt service amounts include known future payments from the Capital Finance budget. The final debt service payment on all MICLA Los Angeles Convention Center Bonds in the amount of \$16.6 million is in 2022-23, which represents a \$34.1 million decrease from the 2021-22 Adopted Budget. In anticipation of the potential annual debt service payments associated with the Los Angeles Convention Center Expansion Project, the Outlook assumes a projected payment in 2022-23 of \$34.1 million and \$50 million annually thereafter.
- (19) Resolution Authorities: The deletion line reflects the practice of annually deleting resolution authority positions, which must be authorized each year through a Council resolution. The "Add New and Continued Resolution Authorities" line reflects the continued or new resolution positions included in the 2022-23 Budget.
- (20) One-time Costs: The deletion line reflects the practice of deleting programs and costs that are limited-term and temporary in nature each year. The "Add One-Time Costs" line reflects the continued and new one-time costs included in the 2022-23 Budget. The Outlook deletes funding for all one-year projects in 2023-24 and retains the remaining balance for multiyear projects that will not become part of the General Fund base. To the extent that there are budget decisions to continue one-time programs in future years, expenditures would be higher than the reported projections.
- (21) Comprehensive Homeless Strategy: This amount represents the reduction to the General Fund appropriation for homelessness-related services and expenditures within the context of the City's Comprehensive Homeless Strategy. The 2023-24 amount further deletes one-time 2022-23 expenditures. To the extent that there are budget decisions to continue one-time programs in future years, expenditures would be higher than the reported projections. The reduced appropriation for these services in 2022-23 in the Outlook does not reflect an additional \$49.6 million in anticipated spending against a reserve fund loan, which is not an appropriation.
- (22) Unappropriated Balance (UB): The significant reduction in 2022-23 reflects the deletion of one-time UB items budgeted in 2021-22, including COVID response and new programs. To the extent that the new programs are continued in the 2022-23 Budget, the funding for those programs and positions is included in the "Add New and Continued Resolution Authorities" line or "Net – Other Additions and Deletions" line. The 2023-24 amount eliminates one-time UB items included in 2022-23 and continues ongoing ones. The significant reduction in 2025-26 reflects a reduction in anticipated FEMA grant receipts. The Outlook assumes the City will use anticipated FEMA grant receipts through 2025-26 to repay Reserve Fund and special fund loans, special fund FEMA reimbursed expenditures, and special fund COVID expenditures that are not FEMA eligible.
- (23) Capital and Technology Improvement Expenditure Program (CTIEP) – Municipal Facilities and Physical Plant: The 2022-23 Budget includes a decrease in funding from the General Fund of \$11.3 million for physical plant related capital projects and \$0.7 million for municipal facilities. The 2023-24 amount deletes funding for one-year projects. The Outlook assumes increased funding in future years to meet the policy spending level of 1.5 percent of General Fund revenue for capital and technology projects.
- (24) CTIEP – Sidewalk: Pursuant to the settlement in the case of *Willits v. City of Los Angeles*, the City is responsible for investing \$31 million annually for sidewalk improvements through 2047, with adjustments of 15.3 percent every five years to account for inflation and material price increases. The 2022-23 decrease of \$5.1 million in General Fund appropriations reflects the availability of special funds to meet the adjusted \$35.7 million minimum obligation. The 2023-24 increase of \$11.9 million will increase the General Fund appropriation to \$29.7 million annually, with the balance of the required investment covered by other sources of funds.
- (25) CTIEP – Pavement Preservation Program: The Pavement Preservation Program increase of \$11.7 million in 2022-23 reflects the restoration of General Fund for one-time efficiencies and to cover the costs shifted to special funds on a one-time basis in 2021-22. Future years assume that the General Fund will bear cost increases to maintain service levels that exceed the capacity of special funds.
- (26) Appropriation to the Reserve Fund: There is no appropriation to the Reserve Fund in 2022-23. No appropriation is included in subsequent years.
- (27) Appropriation to the Budget Stabilization Fund (BSF): Pursuant to the policy, when the combined annual growth for seven General Fund tax revenue sources exceeds the Average Annual Ongoing Growth Threshold, the budget must include a deposit into the BSF. When growth of these receipts falls short of the Average Annual Ongoing Growth Threshold, the Budget may include a withdrawal from the Fund. Based on the projected growth in economically sensitive revenues, the 2022-23 Budget includes direct transfer to the BSF of \$72.8 million in order to comply with the policy rather than an appropriation to the Fund. Based on revenue projections, the policy will not trigger a contribution in subsequent years.
- (28) Net – Other Additions and Deletions: The 2022-23 amount includes the restoration of one-time reductions and efficiencies and ongoing changes and new regular positions added to the base budget. Among the significant increases are a net increase of 859 regular authority positions, increased appropriations to Recreation and Parks the Library, and increased expenditures for hotel development incentive agreements. The remaining balance reflects new and increased ongoing costs to a variety of departmental programs. Subsequent years include projected expenditures for the restoration of one-time expenditure reductions, structured payments, hotel development incentive agreements, the recycling incentives program, and increased appropriations to Recreation and Parks and the Library.
- (29) Revenues Over (Below) Expenditures: The amount reflects the difference between the projected revenues and expenditures in each of the years, with positive number reflecting higher projected revenues than expenditures and negative numbers reflecting higher projected expenditures than revenues.

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

Budgetary Reserves and Contingencies

The City maintains a number of budgetary reserves and other funds designed to help manage its risks and ensure sufficient resources to meet contingencies. These funds represent a major component of what is reported as Unassigned Fund Balance at year-end in the City's financial reports. See the footnotes for "Table 1—Balance Sheets for the General Fund."

The City maintains a Reserve Fund, which was created by the Charter. The City may transfer moneys from the Reserve Fund as part of an Adopted Budget or throughout the fiscal year for unanticipated expenditures, or may transfer funds from the Reserve Fund as a loan to other funds. The City may also transfer moneys to the Reserve Fund from time to time throughout the year. All unencumbered cash amounts in the General Fund revert to the Reserve Fund at the end of the Fiscal Year; some of those funds will be re-appropriated at the beginning of the following fiscal year (primarily for General Fund capital projects, advances, and technical adjustments).

The City's Financial Policies include a Reserve Fund policy setting forth the goal that the City maintain a budget-based Reserve Fund balance equal to at least 5 percent of General Fund revenues. The City's Reserve Fund policy addresses budget-based reserves and does not set specific goals for GAAP-based year-end fund balances.

After falling short of this goal for the first time in seven years in Fiscal Year 2020-21 due to the revenue impacts of the COVID-19 pandemic, the combination of ARPA receipts and the general restoration of City revenues to pre-pandemic levels facilitated the growth of budgetary reserves in 2021-22, and the City is expected to exceed this goal in the 2022-23 fiscal year.

The Reserve Fund is composed of two accounts—an Emergency Reserve Account and a Contingency Reserve Account. Amounts in the Emergency Reserve Account, representing 2.75 percent of General Fund revenues, are restricted under the Charter for funding an "urgent economic necessity" upon a finding by the Mayor and Council of such necessity. If the City were to utilize amounts in the Emergency Reserve Account, the City would be expected to replenish the amount expended therefrom in the subsequent fiscal year except in the case of a catastrophic event, in which case the requirement can be temporarily suspended by Council and Mayoral action. The balance of the available Reserve Fund is allocated to the Contingency Reserve Account and is available to address unexpected expenditures relating to existing programs or revenue shortfalls upon authorization by the Mayor and Council.

In addition, the City maintains a number of other funds that can be used to finance contingencies as they arise, the most important of which are the Budget Stabilization Fund (the "BSF") and the Unappropriated Balance (the "UB") line item for mid-year adjustments. Taken together, the Reserve Fund, the BSF, and the UB line item for mid-year adjustments comprise what the City considers to be its General Fund reserves.

Pursuant to the ordinance that regulates the BSF, as part of the annual budget process, a portion of the economically sensitive revenues projected to be above the historical average must be deposited into the BSF, which can then be used to help fund future expenditures when revenue is stagnant or is in decline. The economically sensitive revenues consist of seven General Fund tax revenue sources: property, utility users, business, sales, transient occupancy, documentary transfer, and parking occupancy taxes. For purposes of the 2022-23 Budget, the growth rate used to determine BSF contributions was calculated to be 3.4 percent, based on the 20-year historical average of these tax revenues.

Under the BSF Financial Policy, excess projected revenue in the 2022-23 Budget would be \$291 million, triggering a \$73 million required appropriation to the BSF. As a result, the BSF is expected to begin the year with a balance of \$192 million.

The UB was created by the Charter, which requires that an amount be included in the budget to be available for appropriations later in the fiscal year to meet contingencies as they arise. The amount and types of items identified in the UB vary each year depending on the specific challenges, the risks identified, and programs that have been approved but for which an appropriation for expenditure is premature. The 2022-23 Budget includes allocations of \$24.3 million as a Reserve for Mid-Year Adjustments (considered part of the City's General Fund policy reserves), \$20.0 million as a Reserve for Extraordinary Liability, and \$79.3 million reserve as a contingency for anticipated reimbursements from FEMA, which could be delayed. If these reimbursements from FEMA are paid during the 2022-23 fiscal year, these funds would increase the Reserve Fund balance. As in all years, the UB contains allocations for a number of other potential expenditures, including \$4.5 million for a settlement in connection with the California False Claims Act Settlement, \$2.7 million for Homeless Engagement Teams operated by the Los Angeles Homeless Services Authority ("LAHSA," a joint powers authority formed by the City and the County) and \$93 million for "Department Payroll Reconciliation," to finance one-time payments to employees as a result of reopeners of COVID-related concessions in labor contracts.

The City adopted a revision to its Financial Policies in January 2020 to add the stated goal of maintaining the cumulative value of the Reserve Fund, the Budget Stabilization Fund, and the UB line item for mid-year adjustments at an amount equal to at least 10 percent of all General Fund revenues anticipated for that fiscal year in the Adopted Budget. The Fiscal Year 2022-23 Adopted Budget allocates 9.3 percent of General Fund revenues to these combined reserves.

The following table summarizes both budgeted and actual reserves. The history of projected Reserve Fund balances as of July 1, as anticipated in past Adopted Budgets, and the actual Reserve Fund balances that occurred on July 1 of those years is intended to illustrate the historical variance between budgeted and actual amounts. A number of factors affect the actual balance at the beginning of the year, including final expenditures and revenues for the preceding fiscal year, the reversion of unencumbered funds at year end, the reappropriation of a portion of those reversions through the budget, and appropriations to and from the Reserve. The table also sets forth the City's other major contingency resources, in addition to the City's Reserve Fund, namely the BSF and the UB line item for mid-year adjustments. These balances are reported as of the beginning of the fiscal year rather than the end of the prior year to avoid overstating them as a result of year-end reversions, many of which are reappropriated as of July 1, and to account for any transfers made as part of an Adopted Budget.

Table 5
HISTORICAL RESERVE FUND BALANCE AS OF JULY 1
Adopted Budget and Actual
(Cash Basis; \$ in millions)

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Adopted Budget										
Emergency Reserve	\$133.8	\$141.3	\$148.8	\$153.4	\$160.2	\$170.2	\$180.7	\$183.9	\$206.4	\$204.8
Contingency	<u>127.3</u>	<u>142.8</u>	<u>164.6</u>	<u>181.5</u>	<u>138.1</u>	<u>180.7</u>	<u>229.7</u>	<u>59.4</u>	<u>303.5</u>	<u>272.7</u>
	\$261.1	\$284.1	\$313.4	\$334.9	\$298.3	\$350.9	\$410.4	\$243.3	\$509.9	\$477.5
Total Budgeted General Fund Revenues	\$4,866.9	\$5,138.3	\$5,410.4	\$5,576.4	\$5,826.5	\$6,190.6	\$6,569.7	\$6,687.3	\$7,503.2	\$7,446.0
Reserve Fund Balance as % of Budgeted General Fund Revenues	5.37%	5.53%	5.79%	6.01%	5.12%	5.67%	6.25%	3.64%	6.80%	6.41%
Budget Stabilization Fund Reserves for Mid-Year in UB	\$61.5	\$64.4	\$91.5	\$92.4	\$95.1	\$107.3	\$113.9	\$116.6	\$118.0	\$192.1
Total General Fund Budget Reserves	<u>21.0</u>	<u>20.7</u>	<u>17.0</u>	<u>15.0</u>	<u>20.0</u>	<u>20.3</u>	<u>35.0</u>	<u>30.1</u>	<u>14.9</u>	<u>24.3</u>
% of Budgeted General Fund Revenues	\$343.6	\$369.2	\$421.9	\$442.3	\$413.3	\$478.6	\$559.4	\$390.0	\$642.8	\$693.9
	7.06%	7.19%	7.80%	7.93%	7.09%	7.73%	8.51%	5.83%	8.57%	9.32%
Actual										
Emergency Reserve	\$133.8	\$141.3	\$148.8	\$153.3	\$160.2	\$170.2	\$180.7	\$183.9	\$206.3	
Contingency	<u>192.9</u>	<u>241.7</u>	<u>293.8</u>	<u>180.9</u>	<u>194.3</u>	<u>175.6</u>	<u>226.5</u>	<u>78.6</u>	<u>440.7</u>	
	\$326.7	\$383.0	\$442.6	\$334.2	\$354.5	\$345.8	\$407.2	\$262.5	\$647.0	
Reserve Fund Balance as % of Budgeted General Fund Revenues	6.71%	7.45%	8.18%	5.99%	6.08%	5.59%	6.20%	3.93%	8.62%	

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

Financial Management Policies

The City has adopted a number of Financial Policies. Several of these policies relate to the City’s Reserve Fund and Budget Stabilization Fund. See “Budgetary Reserves and Contingencies” above for a description of these Financial Policies.

Another component of the Financial Policies requires that one-time revenues only be used for one-time expenditures. The 2022-23 Budget satisfies this policy by allocating \$192 million in one-time revenues toward \$344 million in one-time expenditures.

The Financial Policies provide for the City to annually budget 1.5 percent of General Fund revenues to fund capital and technology infrastructure improvements. The 2022-23 Budget complies with this policy by providing \$122.6 million in General Fund capital and technology spending, equivalent to 1.64 percent of General Fund revenues.

The City also has limits on the amount of debt service it considers affordable and is well below those thresholds. See “BONDED AND OTHER INDEBTEDNESS—Debt Management Policies.”

These Financial Policies are available on the City’s website, are subject to change, and are not incorporated as part of this Official Statement (http://cao.lacity.org/debt/fin_policies.htm).

Risk Management and Retention Program

Because of its size and its financial capacity, the City has long followed the practice of directly assuming most insurable risks without procuring commercial insurance policies. The extent and variety of City exposure is such that the cost of the premiums outweighs the benefits of such coverage. The City administers, adjusts, settles, defends and pays claims from budgeted resources. The City is self-insured for workers’ compensation as permitted under State law. The City procures commercial insurance when required by bond or lease financing covenants and for other limited purposes. Insurance premiums for the City have increased due to the impacts of the pandemic, global property market losses, and the property losses the City sustained over the last five years, including a recent sewage spill at the City’s primary wastewater treatment plant (See “OTHER MATTERS – Clean Water Compliance—*Hyperion Water Reclamation Plant Sewage Spill*). The 2021-22 Budget provided additional funding to cover these increased costs. Premium costs for 2022-23 are anticipated to remain at this higher level.

Funds are budgeted annually to provide for claims and other liabilities based both on the City’s historical record of payments and an evaluation of known or anticipated claims. The 2022-23 Budget provides funding of \$87.4 million for these liabilities, of which \$80 million is dedicated to liabilities that must be paid from the General Fund. The 2022-23 Budget also includes a [\$20.0] million appropriation in the UB as a “Reserve for Extraordinary Liabilities.” From time to time, the City has issued judgment obligation bonds to finance larger judgments or settlements, as it did in Fiscal Years 2008-09 and 2009-10.

The City’s recent budget and claims payment experience is listed in the table below.

Fiscal Year	Total Amount Budgeted			Total	Total Claims Paid
	General Fund	Special Funds	Unappropriated Balance		
2018-19	80.0	9.1	20.0	109.1	103.3
2019-20	80.0	10.5	20.0	110.5	126.9
2020-21	80.0	7.9	-	87.9	87.3
2021-22 Estimate	80.0	7.4	23.9	111.3	111.3
2022-23 Budget	80.0	7.4	20.0	107.4	N/A

⁽¹⁾ Cash basis. Does not include Workers’ Compensation claims paid by the City; see Table 7. Also, does not include claims paid in connection with Fair Labor Standards Act disputes and other labor matters, which are paid out of departmental operating budgets.

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

The City’s ACFR provides estimates of potential liabilities. Under GAAP, the City is required to accrue liabilities arising from claims, litigation and judgments when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The City’s ACFR discloses and takes into account estimates of such potential liabilities. As reported in the City’s ACFR (Note 4 (N): Risk Management—Estimated Claims and Judgments Payable), the City, as of June 30, 2021, estimated the amount of tort and non-tort liabilities that were “probable” of occurring at approximately \$664.7 million. In addition, and as reported in the City’s ACFR, the City Attorney, as of June 30, 2021, estimated that certain other pending lawsuits and claims have a “reasonable possibility” of resulting in additional liability totaling \$55.0 million. See “LITIGATION” for a discussion of certain recently completed, pending or threatened litigation matters involving the City.

Also as of June 30, 2021, the City estimated its workers’ compensation liability at \$2.0 billion; see Table 7 for recent and budgeted expenditures for this liability.

The City generally does not maintain earthquake insurance coverage. Instead, the City relies on its general reserves as well as the expectation that funds will be available from FEMA to manage earthquake and other major natural disaster risk. The City has received a waiver from the requirement under federal law that it acquire earthquake insurance on facilities that were the beneficiaries of prior FEMA grants. There is no guarantee that sufficient City reserves or FEMA assistance would be available in the event of a natural disaster. See “OTHER MATTERS—Seismic Considerations.”

In addition, the City does not maintain insurance for cybersecurity risk. See “OTHER MATTERS—Cybersecurity.”

Workers’ Compensation, Employee Health Care and Other Human Resources Benefits

The City appropriates funds to a Human Resources Benefits Fund to account for various programs to provide benefits to its employees, in addition to retirement and other post-employment benefits, as described below. Total benefits expenditures are shown in the following table.

Table 7
HUMAN RESOURCES BENEFITS⁽¹⁾
(\$ in thousands)

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>Estimated</u> <u>2021-22</u>	<u>Budget</u> <u>2022-23</u>
Civilian FLEX Program ⁽²⁾	\$282,513	\$291,509	\$308,627	\$293,708	\$302,240
Contractual Services	24,086	23,430	22,494	31,141	32,681
Employee Assistance Program	2,078	1,369	1,915	1,820	1,828
Fire Health and Welfare Program	56,927	58,938	61,875	62,476	64,289
Police Health and Welfare Program	156,625	157,451	158,385	157,260	163,032
Supplemental Civilian Union Benefits	5,070	5,544	6,446	5,765	5,829
Unemployment Insurance	2,452	1,961	9,295	3,800	3,800
Workers’ Compensation/Rehabilitation	<u>195,985</u>	<u>203,356</u>	<u>215,915</u>	<u>212,467</u>	<u>231,632</u>
Total	<u>\$725,736</u>	<u>\$743,558</u>	<u>\$784,951</u>	<u>\$768,437</u>	<u>\$805,331</u>

⁽¹⁾ Cash basis.

⁽²⁾ Reflects all civilian health, dental, union supplemental benefit and life insurance subsidies.

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

Labor Relations

In 1971, the City adopted an employee relations ordinance (Los Angeles Administrative Code, Division 4, Chapter 8, Section 4.800 et seq.) under the provisions of the Meyers-Milias-Brown Act (“MMBA”). Under the MMBA, management must bargain with recognized employee organizations on terms and conditions of employment, including wages, hours, and other working conditions. The CAO is the formal management representative on employee relations matters, representing the Mayor and Council in negotiations with recognized employee organizations. The CAO receives direction from the Executive Employee Relations Committee, consisting of five ex officio members, namely the Mayor; the President of the Council, the President Pro-Tempore of the Council, the chairperson of the Council’s Budget and Finance Committee, and the chairperson of the Council’s Personnel, Audits and Animal Welfare Committee. Formal Memoranda of Understanding (“MOUs”) are negotiated between the City and recognized employee organizations, which may represent one or more formal bargaining units. Negotiated MOUs

incorporate wages and working conditions. For expired MOUs, terms and conditions remain in effect until a successor MOU is successfully negotiated or impasse proceedings conclude, unless a provision has a specific termination date.

There are 44 individual MOUs, affecting about 34,800 full-time and 7,800 part-time City employees (including employees of the Airport and Harbor departments, but excluding DWP employees) that are represented by 22 labor unions/employee associations. The remaining approximately 800 full-time and 900 part-time employees are not represented. The vast majority of employees that are members of the Los Angeles City Employees' Retirement System ("LACERS") are considered to be "civilian" employees. Employees that are members of the City of Los Angeles Fire and Police Pension Plan ("LAFPP") are considered to be "sworn" or "safety" employees. . Some peace officers employed by the Los Angeles Police Department, Harbor Department, and Airports Department are considered to be sworn employees but are enrolled in LACERS. See "BUDGET AND FINANCIAL OPERATIONS—Retirement and Pension Systems—Los Angeles City Employees' Retirement System ("LACERS")."

To address the projected budget gap in Fiscal Year 2020-21 occasioned by the COVID-19 pandemic, the City renegotiated terms of MOUs with the majority of its labor organizations whose salaries most significantly impact the City's General Fund. The renegotiated terms focused primarily on deferring previously scheduled wage increases in exchange for the City refraining from implementing civilian layoffs, furloughs, and Fire Department resource closures (commonly referred to as "Brown Outs") as means to balance the 2020-21 Budget. The renegotiated MOUs also contained a clause allowing for the parties to reopen closed MOUs as early as January 2022 to discuss the possibility of restoring deferred salaries. Agreements were reached with unions representing bargaining units that form the Coalition of City Unions and the Fiscal and Policy Professionals Association (FPPA) to pay bargaining unit members the value of deferred wages in two, equal cash payments, the value of which is approximately \$55 million and \$0.5 million, respectively. The first of the two payments to the Coalition was made in early May 2022, while the first payment to FPPA will be made by early July 2022. The second payment to both groups will be made in mid-November 2022. Negotiations have concluded with and agreements have been ratified by the three City Attorney associations, the Engineers and Architects Association, the Los Angeles Police Department Command Officers Association, and the Municipal Inspectors Association. These groups reached agreement with the City on the payment of a three percent, non-pensionable, biweekly bonus from July 2022 through June 2023, which will be incorporated into base wages in July 2023. [The agreements are pending full Council for approval, expected in June.] The UB allocates \$93 million in connection with such renegotiations, and the Budget Outlook incorporates the assumed additional costs going forward. The United Firefighters of Los Angeles City and the Fire Department Command Officers Association have also reached agreement, including restoration of deferred wages in two cash payments (identical to the agreements reached by the Coalition and FPPA) and a three percent base wage increase effective January 2024.

[Update] For a number of years, the City has accumulated liability for banked Police Department ("LAPD") uncompensated overtime, valued at approximately [\$151.5 million as of August 28, 2021] Those hours that are not used as leave become more expensive over time due to promotions and other salary increases of applicable LAPD personnel. The recent agreement reached by the City and the union representing police officers, which deferred certain salary increases, may reduce the need to bank overtime hours in lieu of payment, as the agreement will

require the City to pay a minimum of \$70 million in cash overtime to police officers in each of the following three fiscal years: 2021-22, 2022-23, and 2023-24.

On August 16, 2021, the City Council, due to the ongoing COVID-19 pandemic, adopted Ordinance 187134 (the “Vaccine Ordinance”), which mandated that all its employees, volunteers, interns, hiring hall, appointed officers, board members and commissions, and elected officials and their appointees (collectively, the “Affected Employees”) be fully vaccinated against COVID-19 by October 19, 2021, unless an Affected Employees is granted an exemption for either a medical condition or a sincerely-held religious belief. On October 26, 2021, the City Council adopted a resolution which set forth consequences for non-compliance with the requirements of the Vaccine Ordinance (the “Vaccine Resolution”), and, among other things, extended the compliance period set forth under the Vaccine Ordinance until December 18, 2021, unless otherwise exempted for medical or religious reasons. Those Affected Employees who sought additional time to comply with the vaccine requirements were required to pay for regular COVID-19 testing while in the process of being fully vaccinated. Affected Employees who are awaiting a decision on their request for a religious or medical exemption were and continue to be subject to regular COVID-19 testing. Costs for these tests are expected to be borne by Affected Employees but are being held in abeyance until legal challenges are resolved. Affected Employees who fail to comply with the Vaccine Ordinance and the Vaccine Resolution are subject to certain corrective actions, including potential termination from City employment. The cost associated with implementing the Vaccine Ordinance and the Vaccine Resolution, including any potential labor dispute arising as a result of such implementation, cannot be determined at this time.

On October 28, 2021, the City declared impasse in negotiations with employee organizations over the consequences for non-compliance with the Vaccination mandate. As a result of the impasse declaration and the City’s actions taken to implement the vaccination mandate in general, a number of groups filed lawsuits relating to the Vaccine Ordinance and the Vaccine Resolution. The first lawsuit, entitled *Firefighters4Freedom Foundation v. City of Los Angeles*, was filed on September 17, 2021 in Los Angeles County Superior Court by a non-profit corporation, as appointed agent for and on behalf of 529 Los Angeles Fire Department employees. The second lawsuit, as amended, was originally filed on September 11, 2021 in United States District Court, Central District by a group of six LAPD officers and is entitled *Lemons, et al. v. City of Los Angeles et al.* Those lawsuits, along with another lawsuit brought by the Los Angeles Fire Department employees union (United Firefighters of Los Angeles City Local 112), have been dismissed in the City’s favor. The City cannot provide any assurances that no plaintiffs would appeal their respective dismissals.

On or about October 29, 2021, the Los Angeles Police Protective League filed a lawsuit in Los Angeles County Superior Court alleging that the testing plan under the Vaccine Resolution violated state labor laws and involved conflicts of interest issues relating to the contractor hired by the City to administer the tests. The City expects to continue to defend any allegations that the City violated any state labor laws. The City also plans to continue to defend the enforceability of the Vaccine Ordinance and the Vaccine Resolution.

The following table summarizes the membership and status of the largest unions and employee associations. See “BUDGET AND FINANCIAL OPERATIONS—Fiscal Year 2020-21.”

**Table 8
STATUS OF LABOR CONTRACTS
LARGEST EMPLOYEE ORGANIZATIONS**

<u>Organization</u>	<u>Employees Represented</u> ⁽¹⁾	<u>Number of Bargaining Units</u>	<u>Status of Memorandum of Understanding</u>	<u>Base Wage Adjustments</u> ⁽²⁾
Los Angeles Police Protective League	9,964	1	Contract expires 6/30/24	4.5% effective 9/1/19 1.5% effective 7/5/20 3.25% effective 1/17/21 3% effective 1/1/23 ⁽³⁾ 1.5% effective 1/1/23 ⁽³⁾
United Firefighters of Los Angeles City	3,282	1	Contract expires 6/29/24	2% effective 7/7/19 4.75% effective 7/5/20 4.5% effective 1/1/23 3% effective 1/14/24 ⁽⁴⁾
Coalition of LA City Unions	24,579	21	Contracts expires 12/31/22	2.9% effective 10/28/18 2.75% effective 1/19/20 2% effective 6/19/22 ⁽³⁾ 2% effective 6/19/22 ⁽³⁾
Engineers and Architects Association	5,479	4	Contracts expires 12/31/23	2.75% effective 1/19/20 2% effective 6/19/22 2% effective 1/29/23 1.5% effective 6/18/23 3% effective 7/2/23 ⁽⁴⁾
Municipal Construction Inspectors Association	880	1	Contract expires 12/30/23	2% effective 1/19/20 2.75% effective 7/5/20 2% effective 7/3/22 2% effective 1/29/23 3% effective 7/2/23 ⁽⁴⁾

⁽¹⁾ Total full-time and part-time employees in all departments except DWP, as of July 1, 2020.

⁽²⁾ Adjustments for the term covered by the specific MOU.

⁽³⁾ The renegotiated MOU deferred two salary increases to the same date. Both increases are shown here separately.

⁽⁴⁾ Increase resulting from the salary reopener discussions that concluded in late May 2022.

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

The table below shows total authorized City staffing for all departments except Airports, Harbor, DWP, LACERS, and LAFPP. The LAPD represents the single largest department in terms of authorized positions.

Table 9					
AUTHORIZED CITY STAFFING⁽¹⁾					
	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>Budget</u> <u>2022-23</u>
Sworn					
Police	10,549	10,552	10,554	10,557	10,557
Fire	<u>3,363</u>	<u>3,382</u>	<u>3,416</u>	<u>3,424</u>	<u>3,510</u>
Subtotal Sworn	13,912	13,934	13,970	13,981	14,067
Civilian					
Police	3,388	3,454	3,451	3,187	3,292
Fire	397	406	415	380	392
All Others	<u>16,063</u>	<u>16,378</u>	<u>16,795</u>	<u>16,014</u>	<u>16,670</u>
Subtotal Civilian	<u>19,848</u>	<u>20,238</u>	<u>20,661</u>	<u>19,581</u>	<u>20,354</u>
Total	33,760	34,172	34,631	33,562	34,421

⁽¹⁾ As authorized in the Adopted Budget. Includes permanent (“regular”) positions and excludes temporary personnel (also referred to as “resolution authority positions”), which total 3,521 for Fiscal Year 2022-23. Also excludes personnel of the departments of Airports, Harbor, DWP, LACERS and LAFPP.

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

Retirement and Pension Systems

General

The City has three single-employer defined-benefit pension plans created by the Charter: the Los Angeles City Employees’ Retirement System (“LACERS”), the City of Los Angeles Fire and Police Pension Plan (“LAFPP”) and, for employees of DWP, the Water and Power Employees’ Retirement, Disability and Death Benefit Insurance Plan (the “Water and Power Plan”). Both LACERS and LAFPP (collectively, the “Pension Systems”) are funded primarily from the City’s General Fund, while the Water and Power Plan is funded by that department’s proprietary revenues.

The Pension Systems provide retirement, disability, death benefits, post-employment healthcare and annual cost-of-living adjustments to plan members and beneficiaries. Both Pension Systems are funded pursuant to the Entry Age Cost Method, which is designed to produce stable employer contributions in amounts that increase at the same rate as the employer’s payroll (i.e., level percent of payroll). Retired members and surviving spouses and domestic partners of LACERS and LAFPP members are eligible for certain subsidies toward their costs of medical and other benefits. These benefits are paid by the respective retirement system. These retiree health benefits are accounted for as “Other Post-Employment Benefits” (“OPEB”). The City began making payments to its Pension Systems to pre-fund OPEB obligations in the late 1980s. The calculations of OPEB funding requirements are made by the same actuaries that perform the analysis of the Pension Systems’ retirement benefits, and generally rely on the same actuarial assumptions, other than those assumptions such as medical cost inflation specific to OPEB.

The actuarial valuations for both Pension Systems are prepared on an annual basis and the applicable actuary recommends contribution rates for the fiscal year beginning after the completion of that actuarial valuation. The Pension Systems’ annual valuations determine the

contribution rate, as a percentage of covered payroll, needed to fund the normal retirement costs accrued for current employment and to amortize any unfunded actuarial accrued liability (“UAAL”). The UAAL represents the difference between the present value of estimated future benefits accrued as of the valuation date and the actuarial value of assets currently available to pay these liabilities. The valuation for each plan is an estimate based on relevant economic and demographic assumptions, with the goal of determining the contributions necessary to sufficiently fund over time the benefits for currently active, vested former and retired employees and their beneficiaries.

Various actuarial assumptions are used in the valuation process, including the assumed rate of earnings on the assets of the plan in the future, the assumed rates of general inflation, salary increases, inflation in health care costs, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries. As plan experience differs from adopted assumptions, the actual liabilities will be more or less than the liabilities calculated based on these assumptions. The contribution rates in the following year’s valuations are adjusted to take into account actual plan experience in the current and prior years.

Each plan also generally performs an experience study every three years, comparing the plan’s actual experience to the non-economic or demographic assumptions previously adopted by its board. Based on the plan’s experience, the board may adopt the actuary’s recommendations to adjust various assumptions such as retirement rates, mortality, termination rates, and disability incidence rates in calculating its liabilities. Additionally, the experience study will review each plan’s economic assumptions and the actuary may recommend adjustments based on future expectations for items such as general inflation, participant salary increases, and the plan’s future expected rate of investment return. These economic assumptions are also adopted by each plan’s board.

The valuations incorporate a variety of actuarial methods, some of which are designed to reduce the volatility of contributions from year to year. When measuring the value of assets for determining the UAAL, many pension plans, including the Pension Systems, “smooth” market value gains and losses over a period of years to reduce contribution volatility. These smoothing methodologies may result in an actuarial value of assets that is lower or higher than the market value of assets at a given point in time.

The Actuarial Standards Board, the organization that sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice, approved the new Actuarial Standard of Practice No. 51 (“ASOP 51”), effective as of the June 30, 2019 actuarial valuations. ASOP 51 requires actuaries to identify and assess risks that “may reasonably be anticipated to significantly affect the plan’s future financial condition,” (referred to as a “Risk Report.”)

Examples of key risks that are particularly relevant to the Pension Systems are investment risk and longevity and other demographic risks. Among other things, the reports consider the cost to the City of alternative earning scenarios from investments. Since the funded ratio, UAAL, and the employer contribution rates have fluctuated as a result of deviation in investment experience in past valuations, the Pension Systems’ actuary has examined the risk associated with earning either higher or lower than the assumed investment rate in future valuations.

ASOP 51 also requires an actuary to consider if there is any ongoing contribution risk to the plan by evaluating the potential for and impact of actual contributions deviating from expected contributions in the future. The Risk Reports for both Pension Systems noted that the City has a well-established practice of making the Actuarially Determined Contribution. As a result, in practice both Pension Systems have been found to have essentially no contribution risk.

In the Risk Reports, the actuary noted that each System had strengthened their respective actuarial assumptions over time in part by lowering the expected investment rate of return, utilizing a generational mortality assumption, and adopting a funding policy that controls future negative amortization. These changes may result in higher contributions in the short term, but in the medium to longer term avoid both deferring contributions and allowing unmanaged growth in the UAAL.

The Risk Reports also note that both of the Pension Systems have become more mature as evidenced by an increase in the ratio of members in pay status (retirees and beneficiaries) to active members employed by the City and by an increase in the ratios of plan assets and liabilities to active member payroll. The actuary expects these trends to continue going forward. Any increase in UAAL due to unfavorable investment and non-investment experience for the relatively larger group of non-active members would have to be amortized and funded over the payroll of the relatively smaller group of only active members; as a plan grows more mature, its contribution rate becomes more sensitive to investment volatility and liability changes.

Each of the Pension Systems has adopted its own asset allocation plan to guide their respective investments in stocks, bonds, real estate, alternatives, and cash equivalents. Each plan reviews its asset allocation plan periodically and any adjustments are approved by the respective boards.

The City has never issued pension obligation bonds to fund either of its Pension Systems but may consider it in the future. The City typically pays all of its annual contributions to its Pension Systems in July at a discount, out of the proceeds of its annual issuance of tax and revenue anticipation notes.

This section, "Retirement and Pension Systems," is primarily derived from information produced by LACERS and LAFPP and their independent actuaries. The City has not independently verified the information provided by LACERS and LAFPP. The comprehensive annual financial reports of the individual Pension Systems, actuarial valuations for retirement and health benefits, and other information concerning LACERS and LAFPP are available on their websites, at www.lacers.org/aboutlacers/reports/index.html and www.lafpp.com/financial-reports, respectively. Information set forth on such websites is not incorporated by reference herein. For additional information regarding the Pension Systems, see also Note 5 in the "Notes to the City's Basic Financial Statements" in the City's ACFR for the Fiscal Year Ended June 30, 2021.

Investors are cautioned that, in considering information on the Pension Systems, including the amount of the UAAL for retirement and other benefits, the funded ratio, the calculations of normal cost, and the resulting amounts of required contributions by the City, this is "forward-looking" information. Such "forward-looking" information reflects the judgment of the boards of the respective Pension Systems and their respective actuaries as to the value of future benefits over the lives of the currently active employees, vested terminated employees, and existing retired employees and beneficiaries. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate and/or be changed in the future.

Los Angeles City Employees' Retirement System ("LACERS")

LACERS, established in 1937 under the Charter, is a contributory plan covering civilian employees other than employees of DWP and those Airport Peace Officers not participating in LAFPP. As of June 30, 2021, the date of its most recent actuarial valuation, LACERS had 25,176 active members, 22,012 retired members and beneficiaries, and 9,647 inactive members (members with a vested right to a deferred or immediate benefit or entitled to a return of their member contributions).

Over the past several years, LACERS has adopted various changes to its actuarial assumptions, including reducing the assumed investment return from 7.75 percent to 7.50 percent in 2014, to 7.25 percent in 2017, and to 7.0 percent in 2020. This most recent change in the investment return assumption represents one of many assumption changes recommended in an experience study dated as of June 17, 2020; other changes included the decrease in the inflation assumption from 3.00 percent to 2.75 percent, an increase in the merit and promotion salary increase assumption, and changes in the mortality assumption. Together, these changes increased the City's retirement contribution rate by 3.32 percent of payroll and the retirement UAAL by \$530.7 million. (These changes also increased the City's contribution rate for OPEB by 0.62 percent.)

LACERS amortizes components that contribute to its UAAL over various periods of time, depending on how the unfunded liability arose, layering separate fixed amortization periods. Under current funding policy, market losses and gains are recognized over a seven-year asset smoothing period, where only 1/7 of annual market gains or losses are recognized in the actuarial value of assets each year. The remaining gains or losses are spread equally over the next six years. Other factors that affect the calculation of unfunded liability, including early retirement incentives, plan amendments, changes in assumptions and other actuarial gains and losses will be amortized over terms that range from 5 to 30 years.

LACERS' Board uses a market value "corridor" of 40 percent. A corridor is used in conjunction with asset smoothing, in order to keep the actuarial value of assets within a certain percentage of the market value of assets. For example, if a system has a 40 percent corridor, the actuarial value of assets must be between 60 percent and 140 percent of the market value of assets. If the actuarial value falls below 60 percent or rises above 140 percent of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing.

In 2012, the Council adopted a new civilian retirement tier ("Tier 2"), which applied to all employees hired on or after July 1, 2013. Subsequently, as part of an agreement with the Coalition of LA City Unions, both the City and the Coalition agreed to transfer all Tier 2 employees into Tier 1 effective February 21, 2016. Any new employee hired into a position eligible for LACERS membership on or after February 21, 2016, unless eligible for Tier 1 membership under specific exemptions, is enrolled in a new "Tier 3." Based on the actuarial valuation as of June 30, 2021, approximately 71 percent of the system's active membership was Tier 1 members and 29 percent was comprised of Tier 3 members.

The following table includes a summary of the major plan design changes from Tier 1 to Tier 3.

**Table 10
COMPARISON OF LACERS TIER I AND TIER III PLAN DESIGNS**

<u>Plan Feature</u>	<u>Tier I⁽¹⁾</u>	<u>Tier III</u>
Normal Retirement (Age / Years of Service)	55 / 30 60 / 10 70 / Any	60 / 30 60 / 10
Early Retirement (Reduced)	55 / 10 Under 55 / 30	Under 60 / 30
Benefit Factors	Normal Retirement 2.16% per year of service	Normal Retirement 1.5% @ 60 / 10 2.0% @ 60 / 30
	Early Retirement Reduced by 3% per Years of Service before age 55; and 1.5% per Years of Service from ages 55-59	Early Retirement Reduced by 10.5% at age 54, plus an additional 3% reduction for every year below the age of 54; unreduced from ages 55 to 59
Compensation Used to Determine Retirement Allowance	Highest consecutive 12 months, including most bonuses	Last 36 months prior to retirement, including most bonuses
Maximum Benefit	100%	80%
Employee Contribution Base	6%	7%
Early Retirement Incentive Program (ERIP) Employee Contribution	1% until 2026 or when ERIP debt is paid, whichever is sooner	N/A
Other Post-Employment Benefits (OPEB), e.g., retiree healthcare Employee Contribution	4%	4%
Maximum Annual COLA	3%	2%
COLA Bank	Yes	No
Government Service Buyback	Member pays employee contributions	Member pays employee and employer contributions, except for limited military or maternity leave time. Service purchase may not cause member's service retirement allowance to exceed eighty percent of final compensation.

⁽¹⁾ Does not reflect Tier 1 Enhanced Benefits for approximately 500 Airport Peace Officers.

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

The table below shows the actuarial value of the City’s liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LACERS, the funded ratio and the ratio of UAAL to annual payroll.

Table 11
LOS ANGELES CITY EMPLOYEES’ RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
(\$ in thousands)⁽¹⁾

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	UAAL ⁽²⁾	Funded Ratio ⁽³⁾	Covered Payroll ⁽⁴⁾	UAAL as a Percentage Of Covered Payroll ⁽⁵⁾
2012	\$ 9,934,959	\$14,393,959	\$4,458,999	69.0%	\$1,819,270	245.1%
2013	10,223,961	14,881,663	4,657,702	68.7	1,846,970	252.2
2014	10,944,751	16,248,853	5,304,103	67.4	1,898,064	279.5
2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5
2020	15,630,103	22,527,195	6,897,093	69.4	2,445,017	282.1
2021	16,660,585	23,281,893	6,621,308	71.6	2,254,165	293.7

⁽¹⁾ Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.

⁽²⁾ Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent a funded ratio less than 100%.

⁽³⁾ Actuarial value of assets divided by Actuarial Accrued Liability.

⁽⁴⁾ Projected annual pensionable payroll for members of LACERS.

⁽⁵⁾ UAAL divided by covered payroll.

Source: Los Angeles City Employees’ Retirement System Actuarial Valuation reports.

For the Retirement Plan, the rate generally increased between the June 30, 2012 and the June 30, 2021 valuations, from 21.3 percent to 30.3 percent, primarily due to the amortization of UAAL increases from unfavorable investment experience and changes in actuarial assumptions. While there have also been increases in the normal cost rates due to the changes in the actuarial assumptions, those increases were offset to some degree by plan changes (the introduction of Tier 3) as new members have been enrolled in the lower cost benefit tier since February 21, 2016. Furthermore, an additional employee contribution (becoming 4 percent for all affected employees effective January 1, 2013) was implemented by the City for certain bargaining groups and for all non-represented employees. For the Health Plan, the non-investment experience (primarily lower than projected medical premiums and subsidies) has had the most impact of modestly declining contribution rates, from 5.7 percent in 2012 to 4.0 percent in 2021.

The actuarial value of assets is different from the market value of assets, as the actuarial value smooths asset gains and losses over a number of years. The following table shows the funding progress of LACERS based on the market value of the portion of system assets allocated to retirement benefits.

Table 12
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
(\$ in thousands)⁽¹⁾

Actuarial Valuation As of June 30	Market Value Of Assets	Actuarial Accrued Liability (AAL)	Unfunded Liability ⁽²⁾	Funded Ratio (Market Value) ⁽³⁾	Covered Payroll ⁽⁴⁾	Unfunded Liability As a Percentage of Covered Payroll (Market Value) ⁽⁵⁾
2012	\$ 9,058,839	\$14,393,959	\$5,335,120	62.9%	\$1,819,270	293.3%
2013	10,154,486	14,881,663	4,727,177	68.2	1,846,970	255.9
2014	11,791,079	16,248,853	4,457,774	72.6	1,898,064	234.9
2015	11,920,570	16,909,996	4,989,426	70.5	1,907,665	261.5
2016	11,809,329	17,424,996	5,615,667	67.8	1,968,703	285.2
2017	13,180,516	18,458,188	5,277,672	71.4	2,062,316	255.9
2018	14,235,231	19,944,579	5,709,348	71.4	2,177,687	262.2
2019	14,815,593	20,793,421	5,977,828	71.3	2,225,413	268.6
2020	14,932,404	22,527,195	7,594,791	66.3	2,445,017	310.6
2021	18,918,136	23,281,893	4,363,757	81.3	2,254,165	193.6

- (1) Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
(2) Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a funded ratio less than 100%.
(3) Market value of assets divided by Actuarial Accrued Liability.
(4) Projected annual pensionable payroll for members of LACERS.
(5) Unfunded liability divided by covered payroll.

Source: Calculated based on data from Los Angeles City Employees' Retirement System Actuarial Valuation reports.

The table below shows the actuarial funding progress of LACERS' liability for healthcare benefits:

Table 13
LOS ANGELES CITY EMPLOYEE'S RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
(\$ in thousands)

Actuarial Valuation As of June 30	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL)	UAAL ⁽¹⁾	Funded Ratio ⁽²⁾	Covered Payroll ⁽³⁾	UAAL As a Percentage of Covered Payroll ⁽⁴⁾
2012	\$1,642,374	\$2,292,400	\$650,027	71.6%	\$1,819,270	35.7%
2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0
2015	2,108,925	2,646,989	538,065	79.7	1,907,665	28.2
2016	2,248,753	2,793,689	544,935	80.5	1,968,703	27.7
2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4
2020	2,984,424	3,486,531	502,107	85.6	2,445,017	20.5
2021	3,330,377	3,520,078	189,701	94.6	2,254,165	8.4

- (1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
(2) Actuarial value of assets divided by Actuarial Accrued Liability.
(3) Annual pensionable payroll against which UAAL amortized.
(4) UAAL divided by Covered Payroll.

Source: The City of Los Angeles City Employees' Retirement System Actuarial Valuations.

The table below summarizes the City’s payments to LACERS over the past four years and payments included in the 2022-23 Adopted Budget. This table includes costs for contributions for both pensions and retiree health care.

Table 14
LOS ANGELES CITY EMPLOYEES’ RETIREMENT SYSTEM
SOURCES AND USES OF CONTRIBUTIONS
(\$ in thousands)⁽¹⁾

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22 [review]</u>	<u>2022-23</u>
Sources of Contributions					
Contributions for Council-controlled Departments ⁽²⁾	\$488,400	\$559,299	\$532,833	\$601,450	\$636,545
Airport, Harbor Departments, LACERS, LAFPP	<u>111,761</u>	<u>117,368</u>	<u>114,828</u>	<u>124,074</u>	<u>132,355</u>
Total	\$600,161	\$676,667	\$647,661	\$725,524	\$768,900
Percent of payroll – Tier 1	28.31%	29.89%	29.43%	32.81%	33.93%
Percent of payroll – Tier 3	25.88%	27.70%	27.45%	30.16%	31.35%
Uses of Contributions					
Current Service Liability (Normal cost)	\$224,161	\$234,336	\$229,795	\$265,096	\$285,736
UAAL	398,500	477,035	462,604	492,955	556,924
Adjustments ⁽³⁾	<u>(22,500)</u>	<u>(34,704)</u>	<u>(44,738)</u>	<u>(32,527)</u>	<u>(73,760)</u>
Total	\$600,161	\$676,667	\$647,661	\$725,524	\$768,900

(1) Includes funding for OPEB.

(2) Includes employees funded by certain special funds in addition to the General Fund.

(3) Adjustments include various “true-ups” for such adjustments as the retroactive upgrade of past Tier 2 members to Tier 1, the family death benefit plan, the limited term retirement plan, excess benefits, and the enhanced benefit for the Airport Peace Officers who remain in LACERS.

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

The table below illustrates the City’s projected contributions to LACERS for the next four fiscal years from Council-Controlled Departments (excluding the proprietary departments) based on projected rates from the City’s consulting actuary applied against projected payroll by the CAO. These projected contributions illustrate the projected cost of both pension and OPEB.

Table 15
LOS ANGELES CITY EMPLOYEES’ RETIREMENT SYSTEM
PROJECTED CONTRIBUTIONS
(\$ in thousands) [to update]

	<u>Budget</u> <u>2022-23</u>	<u>Projection</u> <u>2023-24</u>	<u>Projection</u> <u>2024-25</u>	<u>Projection</u> <u>2025-26</u>	<u>Projection</u> <u>2026-27</u>
Contributions for Council-controlled Departments ⁽¹⁾⁽²⁾	\$636,545	\$718,248	\$708,425	\$655,501	\$659,973
Percentage of Payroll ⁽³⁾	33.16%	32.08%	30.91%	28.05%	27.69%
Incremental Change	\$35,095	\$81,703	\$(9,823)	\$(52,924)	\$4,472
% Change	5.84%	12.84%	(1.37)%	(7.47)%	0.68%

(1) Includes the General Fund and various special funds.

(2) Assumes 0.00% return on investment in 2021-22 and 7.00% thereafter.

(3) Reflects combined rates for all benefit tiers.

Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

Los Angeles Fire and Police Pension Plan (“LAFPP”)

The LAFPP, established in 1899 and incorporated into the Charter in 1923, represents contributory plans covering uniformed fire, police, and some Department of Harbor and some Department of Airports police. As of June 30, 2021, the date of its most recent actuarial valuation, the LAFPP had 12,823 active members (including 124 in Harbor and 93 in Airport), 13,527 retired members and beneficiaries, and 633 vested former members.

Six tiers of benefits are provided, depending on the date of the member’s hiring. No active members are in Tier 1, while Tier 2 had only 5 active members as of June 30, 2021, although both tiers have beneficiaries. Sixty-four percent of active members are in Tier 5, and 30 percent are in Tier 6.

Amortization of UAAL may be calculated differently for different tiers. A Charter amendment adopted by City voters on March 8, 2011, provided the LAFPP Board with greater flexibility to establish amortization and plan funding policies. Under the LAFPP Board’s current actuarial funding policy, actuarial gains or losses are amortized over 20 years; changes in actuarial assumptions and cost methods are amortized over 20 years; plan amendments are amortized over 15 years; and actuarial funding surpluses are amortized over 30 years.

Similar to LACERS, LAFPP has adopted various asset smoothing methods. Generally, market gains or losses are recognized over seven years, so that approximately 1/7 of market losses or gains are recognized each year in the actuarial valuation. LAFPP uses a 40 percent market corridor, so that the actuarial value of assets must be between 60 percent and 140 percent of the market value of assets. If the actuarial value falls below 60 percent or rises above 140 percent of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing.

Within the LAFPP, there is a Deferred Retirement Option Plan (“DROP”). This voluntary plan allows members to retire, for pension calculation purposes only, after they are eligible to retire and have completed at least 25 years of service (members of Tiers 3, 5, and 6 must also be at least age 50). A member entering DROP continues to work and receive salary and benefits as an active employee but stops accruing additional salary and service credits for retirement purposes. While in DROP, the member’s retirement benefit is deposited into an interest-bearing account that is distributed to the member when he or she leaves City service. Participation in DROP is generally limited to a maximum of five years. The LAFPP actuary assumes that 95 percent of eligible active members will elect DROP prior to retirement. As of June 30, 2021, 1,484 active members participated in DROP.

Based on the advice of its actuary, the LAFPP Board reduced its assumed rate of investment return from 7.50 percent to 7.25 percent in 2017, lowering it again to 7.00 percent in May 2020 (lowering its inflation assumption from 3.00 percent to 2.75 percent as well). In addition to the economic assumptions, the LAFPP Board adopted the actuary’s recommendations to adjust various other assumptions such as retirement, termination, and disability incidence rates. There were no changes in the mortality assumptions since the Board adopted new public safety mortality assumptions in December 2019. Adoption of the economic and non-economic assumption changes was estimated to increase City contributions by 2.3 percent of payroll. The new assumptions were used in the June 30, 2021 actuarial valuation, which was adopted by the Board on November 18, 2021 and determined the City’s contribution rate for Fiscal Year 2022-23.

The table below shows the actuarial value of the City’s liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LAFPP, the funded ratio and the ratio of UAAL to annual payroll.

Table 16
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
(\$ in thousands) ⁽¹⁾

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	UAAL ⁽²⁾	Funded Ratio ⁽³⁾	Covered Payroll ⁽⁴⁾	UAAL As a percentage of Covered Payroll ⁽⁵⁾
2012	\$14,251,913	\$17,030,833	\$2,778,920	83.7%	\$1,341,914	207.1%
2013	14,657,713	17,632,425	2,974,712	83.1	1,367,237	217.6
2014	15,678,480	18,114,229	2,435,749	86.6	1,402,715	173.6
2015	16,770,060	18,337,507	1,567,447	91.5	1,405,171	111.5
2016	17,645,338	18,798,510	1,153,172	93.9	1,400,808	82.3
2017	18,679,221	20,411,024	1,731,803	91.5	1,475,539	117.4
2018	19,840,070	21,364,804	1,524,734	92.9	1,546,043	98.6
2019	21,037,711	22,474,125	1,436,414	93.6	1,583,808	90.7
2020	22,106,722	23,727,315	1,620,593	93.2	1,670,245	97.0
2021	23,689,349	24,461,267	771,918	96.8	1,684,785	45.8

⁽¹⁾ Table includes funding for retirement benefits only. Other post-employment benefits not included.

⁽²⁾ Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.

⁽³⁾ Actuarial value of assets divided by actuarial accrued liability.

⁽⁴⁾ Projected annual payroll against which UAAL amortized.

⁽⁵⁾ UAAL divided by covered payroll.

Source: LAFPP Actuarial Valuations and Review of Retirement and Other Post-Employment Benefits as of June 30, 2021.

The actuarial value of assets is different from the market value of assets, as the actuarial value smooths asset gains and losses over a number of years. The following table shows the funding progress of LAFPP based on the market value of the portion of system assets allocated to retirement benefits.

Table 17
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
(\$ in thousands)⁽¹⁾

Actuarial Valuation As of June 30	Market Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Liability ⁽²⁾	Funded Ratio (Market Value) ⁽³⁾	Covered Payroll ⁽⁴⁾	Unfunded Liability As a Percentage of Covered Payroll (Market Value) ⁽⁵⁾
2012	\$13,268,687	\$17,030,833	\$3,762,146	77.9%	\$1,341,914	280.4%
2013	14,729,976	17,632,425	2,902,449	83.5	1,367,237	212.3
2014	16,989,705	18,114,229	1,124,525	93.8	1,402,715	80.2
2015	17,346,554	18,337,507	990,953	94.6	1,405,171	70.5
2016	17,104,276	18,798,510	1,694,234	91.0	1,400,808	120.9
2017	18,996,721	20,411,024	1,414,303	93.1	1,475,593	95.8
2018	20,482,133	21,364,804	882,671	95.9	1,546,043	57.1
2019	21,262,200	22,474,125	1,211,925	94.6	1,583,808	76.5
2020	21,396,933	23,727,315	2,330,382	90.2	1,670,245	139.5
2021	27,862,307	24,461,267	(3,401,040)	113.9%	1,684,785	(201.9)

- (1) Table includes funding for retirement benefits only. Other post-employment benefits not included.
 (2) Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a deficit.
 (3) Market value of assets divided by actuarial accrued liability.
 (4) Projected annual payroll against which liability is amortized.
 (5) UAAL divided by covered payroll.

Source: Calculated by CAO based on data from LAFPP Actuarial Valuations.

The table below provides a ten-year history of the funding progress for healthcare benefit liabilities of the LAFPP.

Table 18
OTHER POST-EMPLOYMENT BENEFITS
FIRE AND POLICE PENSION PLAN
(\$ in thousands)

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL ⁽¹⁾	Funded Ratio ⁽²⁾	Covered Payroll ⁽³⁾	Unfunded AAL As a Percentage of Covered Payroll ⁽⁴⁾
2012	\$ 927,362	\$2,499,289	\$1,571,927	37.1%	\$1,341,914	117.1%
2013	1,013,400	2,633,793	1,620,393	38.5	1,367,237	118.5
2014	1,200,874	2,783,283	1,582,409	43.1	1,402,715	112.8
2015	1,344,333	2,962,703	1,618,370	45.4	1,405,171	115.2
2016	1,480,810	3,079,670	1,598,860	48.1	1,400,808	114.1
2017	1,637,846	3,322,746	1,684,900	49.3	1,475,539	114.2
2018	1,819,359	3,547,777	1,728,417	51.3	1,546,043	111.8
2019	2,016,202	3,590,023	1,573,821	56.2	1,583,808	99.4
2020	2,214,552	3,709,858	1,495,307	59.7	1,670,245	89.5
2021	2,455,726	3,793,174	1,337,448	64.7	1,684,785	79.4

- (1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
 (2) Actuarial value of assets divided by actuarial accrued liability.
 (3) Projected annual payroll against which UAAL amortized.
 (4) UAAL divided by covered payroll.

Source: The Fire and Police Pension Plan System Actuarial Valuations.

The table below summarizes the General Fund’s payments to LAFPP over the past four years and payments included in the 2022-23 Adopted Budget. This table includes costs for both pensions and retiree health care, as well as the plan’s administrative expenses.

Table 19
LOS ANGELES FIRE AND POLICE PENSION PLAN
SOURCES AND USES OF CONTRIBUTIONS
(\$ in thousands)

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
General Fund ⁽¹⁾	\$687,867	\$705,076	\$738,908	\$721,998	\$660,945
Percent of Payroll	46.85%	47.37%	46.79%	45.89%	41.84%
Current Service Liability	\$344,786	\$349,256	\$382,639	\$393,940	\$394,525
UAAL/(Surplus)	325,312	337,815	337,154	306,679	244,958
Administrative Costs	<u>17,769</u>	<u>18,005</u>	<u>19,115</u>	<u>21,379</u>	<u>21,462</u>
Total	<u>\$687,867</u>	<u>\$705,076</u>	<u>\$738,908</u>	<u>\$721,998</u>	<u>\$660,945</u>

⁽¹⁾ The City funds an Excess Benefit Plan outside LAFPP to provide for any benefit payments to retirees that exceed IRS limits. Amounts deposited in that account are credited against the City’s annual contribution to LAFPP.

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

Historically, plan members did not contribute to offset the City’s costs of retiree healthcare subsidy benefits, as all such costs were funded from the employer’s contribution and investment returns thereon. In 2011, the City negotiated with the sworn bargaining units the option of a 2 percent active employee contribution to offset the cost of retiree healthcare for its sworn workforce hired before July 1, 2011. Sworn employees hired on and after July 1, 2011 are members of Tier 6, which requires an additional 2 percent contribution to offset the cost of retiree healthcare. Employees who contribute to retiree healthcare benefits are vested in future subsidy increases authorized by the LAFPP board. For those sworn employees that opted not to make an additional contribution to offset the cost of retiree healthcare, their retiree health subsidy has been frozen and cannot surpass the maximum subsidy level in effect as of July 1, 2011.

A consolidated lawsuit challenged the LAFPP Board’s exercise of its discretion to annually increase the subsidy for sworn employees. On May 2, 2022, the court ruled that LAFPP was not required to grant the unions the maximum possible increase in the retiree medical subsidy. Rather, LAFPP retained the discretion on the amount of any increase. The case will now proceed as to whether the LAFPP abused its discretion in the years. See “LITIGATION”.

The table below illustrates the City’s projected contributions to LAFPP for the next four fiscal years based on projected rates from the LAFPP’s consulting actuary applied against projected payroll by the CAO.

Table 20
LOS ANGELES FIRE AND POLICE PENSION PLAN
PROJECTED CONTRIBUTIONS⁽¹⁾
(\$ in thousands)

	<u>Budget</u> <u>2022-23</u>	<u>Projected</u> <u>2023-24</u>	<u>Projected</u> <u>2024-25</u>	<u>Projected</u> <u>2025-26</u>	<u>Projected</u> <u>2026-27</u>
General Fund	\$660,945	\$573,250	\$537,952	\$513,699	\$501,089
Percentage of Payroll	41.84%	33.45%	30.58%	28.57%	27.27%
Incremental Change	\$(61,053)	\$(87,696)	\$(35,298)	\$(24,254)	\$(12,610)
% Change	(8.46)%	(13.27)%	(6.16)%	(4.51)%	(2.45)%

⁽¹⁾ Assumes 0.00% return on investment in 2021-22 and 7.00% thereafter.

Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

City Treasury Investment Practices and Policies

The Director of Finance, serving in the capacity of City Treasurer, invests available cash for the City, including that of the proprietary departments, as part of a pooled investment program that combines general receipts with special funds for investment purposes and allocates interest earnings on a pro-rata basis when the interest is earned. The Treasurer also maintains a limited number of special pools established for specific purposes.

The City's General Pool is further divided into a core pool, a reserve pool, and an extended reserve pool. The core or liquidity portion is targeted at the City's net liquidity requirements for six months. All investments in the core section of the portfolio have maturities of one year or less. Most of the balance of the General Pool that is not required for the City's six-month liquidity requirement is invested in the reserve portfolio. The reserve portfolio holds investments ranging from one to five years. In January 2020, the City created an extended reserve portfolio, which pursues a primary investment objective of providing an enhancement of overall interest earnings with longer-term investments. Holdings in that portfolio consist of U.S. Treasury and Agency bonds only, with a maximum maturity of ten years.

Table 21
POOLED INVESTMENTS
Portfolio Characteristics
as of March 31, 2022

<u>Portfolio Funds</u>	<u>Amount of Funds</u> <u>at Market Value</u>	<u>Percent of</u> <u>Investment Pool</u>	<u>Average</u> <u>Weighted Maturity</u>
Core Portfolio	\$ 5,240,185,259	38.3%	101 days
Reserve Portfolio	5,761,689,247	42.1%	2.8 years
Extended Reserve Portfolio	<u>2,680,796,613</u>	<u>19.6%</u>	<u>7.0 years</u>
Total Investment Pool	\$13,682,671,118	100.0%	2.7 years

The following summarizes the City’s pooled investment program as of its most recent investment report.

Table 22
POOLED INVESTMENT FUND
GENERAL POOL
As of March 31, 2022

Description	Par Value	Market Value	Percent of Total Funds (Market Value)	Average Days
Bank Deposits ⁽¹⁾	\$ 10,000,000	\$ 10,000,000	0.07%	0
Money Market Funds	47,324,128	47,324,128	0.35	0
LAIF (State of California)	4,002,433	4,002,433	0.03	0
Subtotal Cash and Overnight Investments	<u>\$ 61,326,561</u>	<u>\$ 61,326,561</u>	0.45%	0
Commercial Paper	\$3,017,518,000	\$3,013,491,142	22.02%	58
Negotiable Certificates of Deposit	100,000,000	99,998,000	0.73	6
Corporate Notes	254,000,000	254,532,890	1.86	184
U.S. Agencies/Munis/Supras	185,700,000	185,858,515	1.36	91
U.S. Treasuries	1,620,000,000	1,624,978,150	11.88	179
Subtotal: Pooled Investments	<u>\$5,177,218,000</u>	<u>\$5,178,858,697</u>	37.85%	102
Total Short-Term Core Portfolio	\$5,238,544,561	\$5,240,185,259	38.30%	101
Money Market Funds	\$ 150,001	\$ 150,001	0.00%	0
Commercial Paper	0	0	0.00	0
Negotiable Certificates of Deposit	0	0	0.00	0
Corporate Notes	1,168,000,000	1,128,538,335	8.25	1,098
Asset-Backed Securities	210,643,947	205,107,561	1.50	1,473
U.S. Agencies/Munis/Supras	557,700,000	531,483,713	3.88	1,431
U.S. Treasuries	6,840,000,000	6,577,206,250	48.07	1,592
Total Long-Term Reserve Portfolios	<u>\$8,776,493,948</u>	<u>\$8,442,485,860</u>	61.70%	1,513
Total Cash and Pooled Investments	<u><u>\$14,015,038,509</u></u>	<u><u>\$13,682,671,118</u></u>	100.00%	972

⁽¹⁾ Collected balance for Wells Fargo Active Accounts.

Source: City of Los Angeles, City Treasurer.

The City’s treasury operations are managed in compliance with the California Government Code and according to the City’s Statement of Investment Policy (the “Investment Policy”), which sets forth liquidity parameters, maximum maturities and permitted investment vehicles, which include U.S. Treasuries, U.S. Government Agencies and Corporate Notes. Additionally, daily investment activity is reviewed independently by an outside investment advisor to ensure that all security transactions are in accordance with all policies as delineated above.

The Treasurer does not invest in range notes, inverse floating rate investments, or mortgage-derived interest or principal-only strips, among other instruments prohibited by State law and the City’s Investment Policy.

The Investment Policy permits the Treasurer to engage custodial banks to enter into short-term arrangements to loan securities to various brokers, the fees from which increase investment earning. Cash and/or securities (U.S. Treasuries, U.S. Government Agencies and Corporate Notes) collateralize these lending arrangements, the total value of which is at least 102 percent of the market value of securities loaned out. The securities lending program is limited to a maximum of 20 percent of the market value of the Treasurer’s pool by the City’s Investment Policy and the California Government Code.

Capital Program

The City adopted a revised Capital and Technology Improvement Policy (the “Capital Policy”) in May 2020 to help guide the City’s process for planning, identifying, evaluating, and prioritizing funding for new capital and technology projects. Among other things, the new Capital Policy updated an annual minimum investment target of 1.5 percent of General Fund revenue for the City’s capital and technology improvements, starting in Fiscal Year 2021-22.

Consistent with the Capital Policy, on November 17, 2021, the City Administrative Officer released the first Five-Year Capital and Technology Improvement Program (“CTIP”) under the Capital Policy. The CTIP is divided into three major improvement types: municipal facilities, physical plant and technology. The municipal facilities components include administrative buildings and other facilities; public safety facilities for the animal services, fire and police departments; recreational and cultural facilities; the Convention Center; and various seismic, yard, shop, and bridge improvements. Physical plant components include wastewater (referred to as clean water), stormwater, streets and other public rights-of-way, street lighting, and transportation projects. Technology components include city-wide infrastructure, major projects, and system replacements costing \$1 million or more. The CTIP does not include projects that are funded and are under the control of the three proprietary departments, or projects related to housing and homelessness.

The CTIP also identifies sources of funding for these projects, indicating whether the projects are going to be financed by the General Fund, MICLA Lease Revenue Bonds (the debt service for which is usually paid from General Fund appropriations) or by one or more special funds. The CTIP includes the approved funding for Fiscal Year 2021-22 and anticipated funding amounts for Fiscal Years 2022-23 through 2025-26, which will be considered for appropriation through the City's budget and appropriation processes in the future.

In accordance with the Capital Policy, projects are funded based on five prioritization criteria:

1. Risk to Health and Safety: Projects that eliminate or mitigate health and safety hazards to City employees or the public (landfills, asbestos removal, and toxic waste).
2. Compliance with Legal, Regulatory, or other policy Mandated Requirements: Projects that are federal, state, or otherwise legally mandated projects.
3. Resilience and Sustainability: Projects that improve public health and the environment through improved water resources, air quality, reduction in greenhouse gas emissions, and habitat protection.
4. Impact to City Operations, Asset Condition, Annual Recurring Costs and Asset Longevity: Projects that impact City operation, asset conditions, and/or minimize maintenance needs by improving infrastructure and/or reducing future costs.
5. Equitable Community Investment and Economic Projects that contribute toward economic development and/or promote social equity to benefit underserved communities, including those with low-income households, low community engagement, and low mobility or access to transportation systems.

For further discussion of Criteria 3 and 5, see “OTHER MATTERS—Environmental and Social Considerations.

The following tables summarize the CTIP by project type and funding source.

**Table 23A
CAPITAL AND TECHNOLOGY IMPROVEMENT PLAN
BY ASSET CATEGORIES**

	<u>2021-22</u>	<u>2022-23⁽¹⁾</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>Future Years</u>	<u>Total</u>
Municipal Facilities							
Deferred Maintenance	\$ 14,156,500	\$ 12,560,526	\$ 12,250,000	\$ 12,250,000	\$ 12,250,000	\$ -	\$ 63,467,026
Office Development and Capital Program	17,786,600	29,289,003	12,375,000	12,375,000	12,375,000	5,500,000	89,700,603
Public Safety Facilities and Security Upgrades	10,570,372	6,341,865	3,490,000	3,490,000	3,490,000	1,250,000	28,632,237
Recreation and Cultural Facilities	64,927,185	87,019,690	72,400,000	18,550,000	450,000	-	243,346,875
Seismic & Bridge Improvements, Yards and Shops	58,200,000	95,616,015	39,539,727	21,250,000	1,250,000	-	215,855,742
Los Angeles Convention Center	6,415,000	6,975,000	350,000	-	-	-	13,740,000
Other	2,968,569	668,569	668,569	668,569	668,569	-	5,642,845
Subtotal	\$ 175,024,226	\$ 238,470,668	\$ 141,073,296	\$ 68,583,569	\$ 30,483,569	\$ 6,750,000	\$660,385,328
Physical Plant							
Clean Water Projects	\$ 267,229,073	\$ 277,150,604	\$ 408,619,518	\$ 367,159,725	\$ 174,324,887	\$ 889,609,075	\$ 2,384,092,882
Stormwater Projects	190,420,538	73,120,698	6,549,664	700,000	300,000	-	271,090,900
Street Projects	429,159,746	453,048,158	344,887,072	297,048,590	254,872,783	437,504,920	2,216,521,269
Street Lighting Projects	3,430,000	600,000	600,000	600,000	600,000	-	5,830,000
Subtotal	\$ 890,239,357	\$ 803,919,460	\$ 760,656,254	\$ 665,508,315	\$ 430,097,670	\$ 1,327,113,995	\$ 4,877,535,051
Technology							
Citywide Infrastructure	\$ 25,583,036	\$ 16,193,026	\$ 14,295,316	\$ 14,310,009	\$ 34,738,605	\$ 10,100,000	\$ 115,219,992
Major Projects and System Replacements	47,204,401	38,801,374	29,910,000	9,910,000	4,250,000	3,250,000	133,325,775
Subtotal	72,787,437	54,994,400	44,205,316	24,220,009	38,988,605	13,350,000	248,545,767
TOTAL - ALL PROJECTS	\$1,138,051,020	\$1,097,384,528	\$ 945,934,866	\$ 758,311,893	\$ 499,569,844	\$1,347,213,995	\$5,786,466,146

⁽¹⁾ Represents projection made in original report, and not updated to reflect the 2022-23 Adopted Budget.

Source: City of Los Angeles, Capital and Technology Improvement Program, 2021-22 to 2025-26, released November 2021.

**Table 23B
CAPITAL AND TECHNOLOGY IMPROVEMENT PLAN
BY FUNDING SOURCE**

	<u>2021-22</u>	<u>Future Cost</u>	<u>Total</u>
Municipal Facilities			
General Fund	\$ 33,914,394	\$ 169,131,955	\$ 203,046,349
Lease Revenue Bonds	98,761,256	228,814,240	327,575,496
Special Funds	42,348,576	87,414,907	129,763,483
Subtotal	\$ 175,024,226	\$ 485,361,102	\$ 660,385,328
Physical Plant			
General Fund	\$ 72,122,143	\$ 152,292,855	\$ 224,414,998
Special Funds ¹	818,117,214	3,835,002,839	4,653,120,053
Subtotal	\$ 890,239,357	\$ 3,987,295,694	\$ 4,877,535,051
Technology			
General Fund	\$ 51,885,819	\$ 76,249,330	\$ 128,135,149
Lease Revenue Bonds	3,634,158	8,000,000	11,634,158
Special Funds	17,267,460	91,509,000	108,776,460
Subtotal	\$ 72,787,437	\$ 175,758,330	\$ 248,545,767
All Programs			
General Fund	\$ 157,922,356	\$ 397,674,140	\$ 555,596,496
MICLA Lease Revenue Bonds	102,395,414	236,814,240	339,209,654
Special Funds	877,733,250	4,013,926,746	4,891,659,996
Total	\$ 1,138,051,020	\$ 4,648,415,126	\$ 5,786,466,146

⁽¹⁾ Includes the proceeds of enterprise revenue bonds.

Source: City of Los Angeles, Capital and Technology Improvement Program, 2021-22 to 2025-26, dated November 2021.

A number of large infrastructure projects the City is considering pursuing could result in major long-term commitments of funds that have not yet been identified and which are not included in the tables above. One major capital expenditures could include expansion and improvement for the Los Angeles Convention Center. While plans regarding the convention center and its plan of finance are still underway, the City plans to maintain a constant level of funding for capital improvements equal to the debt service on the facility's outstanding lease revenue bonds, which mature in November 2022. The net annual contribution would continue to be the same as prior debt service (\$50 million), which after final debt service represents a \$34.1 million allocation in 2022-23 and \$50 million annually thereafter.

Another potential major municipal improvement could be development of additional facilities in the civic center. An additional \$2 billion in recreation and park facility needs have also been identified. Physical plant improvements could include more than an additional \$5 billion for street and sidewalk (including access and curb ramp) repairs.

The City is also exposed to major costs associated with compliance with the Clean Water Act ("CWA"), which regulates the discharges of pollutants by establishing water quality standards. The City is responsible for helping to ensure that up to 192 pollutants in five bodies of water do not exceed certain maximum levels. The City's share of the costs of projects required to meet these requirements could total \$8 billion through 2037. See "OTHER MATTERS—Clean Water Compliance."

The City has also sought funding from the Army Corps of Engineers for restoration of the Los Angeles River, which could cost in excess of \$1.5 billion and require substantial matching funds from the City.

MAJOR GENERAL FUND REVENUE SOURCES

The following is a discussion of the City’s principal General Fund revenue sources. The table below presents actual General Fund revenues for Fiscal Years, 2018-19, 2019-20, and 2020-21, estimated revenues for Fiscal Year 2021-22, and budgeted revenues for Fiscal Year 2022-23.

Table 24
GENERAL FUND RECEIPTS⁽¹⁾
(\$ in thousands)

	2018-19	2019-20	2020-21	2021-22	2022-23	% of 2022-23
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u>	<u>Budget</u>	<u>Budget</u>
Property Tax	\$2,010,508	\$2,132,308	\$2,261,356	\$2,323,005	\$2,535,005	34.0%
Property Tax Increment (Former CRA/LA)	73,971	84,054	128,042	126,727	153,800	2.1
Departmental Receipts	1,129,767	1,198,296	1,257,516	1,219,349	1,272,944	17.1
Business Tax	603,123	655,849	692,386	739,700	786,900	10.6
Sales Tax	581,443	556,237	524,618	665,420	704,760	9.5
Utility Users Tax	644,152	638,379	615,238	623,550	614,100	8.2
Documentary Transfer Tax	206,211	205,473	235,922	303,351	298,540	4.0
Transient Occupancy Tax	318,888	253,539	110,427	229,700	263,220	3.5
Power Revenue Transfer	232,557	229,913	218,355	225,015	229,721	3.1
Parking Fines	129,900	114,865	93,347	112,100	130,000	1.7
Grants Receipts	11,613	18,398	43,690 ⁽²⁾	59,293 ⁽³⁾	122,083 ⁽⁴⁾	1.6
Franchise Income	84,314	84,020	84,303	104,202	119,831	1.6
Parking Occupancy Tax	120,949	106,979	58,844	96,900	111,270	1.5
Interest Income	34,099	46,429	27,112	27,600	36,610	0.5
Special Parking Revenue Transfer	32,115	31,294	-	8,477	30,426	0.4
Tobacco Settlement	10,616	10,178	11,489	11,809	11,489	0.2
Residential Development Tax	4,918	4,821	4,392	4,500	4,800	0.1
State Motor Vehicle License Fees	1,946	3,198	2,942	4,532	3,900	0.1
<u>American Rescue Plan Transfer</u>	-	-	639,450	639,450	-	-
Subtotal General Fund Revenues	\$6,231,090	\$6,374,231	\$7,009,427	\$7,524,680	\$7,429,400	
<u>Reserve Fund Transfer</u>	5,791	195,465	-	85,090	16,648	0.2%
Total General Fund	<u>\$6,236,881</u>	<u>\$6,569,696</u>	<u>\$7,009,427</u>	<u>\$7,609,770</u>	<u>\$7,446,048</u>	

(1) Cash basis. Totals may not add due to total independent rounding.

(2) Includes \$30.7 million in FEMA reimbursement.

(3) Includes \$46.1 million in FEMA reimbursement.

(4) Includes \$104.9 million in FEMA reimbursement.

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

Both the 2020-21 actual and the 2021-22 estimated revenues relied on ARPA funding. See “OVERVIEW OF THE CITY’S FINANCIAL CONDITION” and “BUDGET AND FINANCIAL OPERATIONS” for a discussion of the appropriation of these funds to the General Fund.

For purposes of this Appendix A and in the City’s various budget documents, revenues are reported on a “cash” basis, meaning receipts are recognized when cash is received. This method differs from GAAP, which recognizes revenues on a “modified accrual” basis. The City’s ACFR includes reporting of revenues based on GAAP. See the City’s ACFR Note 1-D for a discussion of the basis for reporting.

Property Tax

Property taxes, including various State replacements and the reallocation of tax increment from the dissolution of redevelopment agencies, represent the largest source of General Fund revenues.

The assessed valuation of property is established by the County Assessor as of each January 1, except for public utility property, which is assessed by the State Board of Equalization. Real property is reassessed at market value on the date property changes ownership (with limited exceptions) or upon completion of new construction. Upon such reassessment, a supplemental tax is collected for the remainder of the tax year. Under the State Constitution and legislation, *ad valorem* taxes on real property (other than taxes relating to certain voter-approved indebtedness) are limited as described under “LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the California Constitution – Proposition 13.”

A property owner may apply for a reduction of the property tax assessment for that owner’s property (known as a “Proposition 8” appeal). The County Assessor may also reduce valuations based on current economic value, without a taxpayer appeal.

The State Constitution and statutes provide exemption from reassessment of property upon certain changes of ownership, such as between spouses or certain intergenerational transfers, and from *ad valorem* property taxation for certain classes of property, such as local governments, churches, colleges, nonprofit hospitals, and charitable institutions. State law also allows exemptions from *ad valorem* property taxation at \$7,000 of full value of owner-occupied dwellings and 100 percent of business inventories. Revenue losses to the City from the homeowner’s exemption are replaced by the State.

The County collects the *ad valorem* taxes. Taxes arising from the 1 percent levy are apportioned among local taxing agencies on the basis of a formula established by State law. Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. The County deducts the pro-rata cost of collecting property taxes from the City’s allocation.

All taxable real and personal property is classified as either “secured” or “unsecured.” The “secured roll” contains real property (land and improvements), certain taxable personal property (such as business equipment on business-owned property), and possessory interests (a leasehold on otherwise exempt government property). The “unsecured roll” contains all other taxable property, the majority of which is business equipment on leased or rented premises, other taxable personal property such as boats and aircraft, and delinquent possessory interests. The balance of personal property has been exempted by State law from property taxes.

Property taxes on the secured roll are due in two installments, which become delinquent after December 10 and April 10, respectively. A 10 percent penalty is added to delinquent taxes. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5 percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, title to the property passes to the State and is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll become delinquent on August 31. A 10 percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5 percent per month begins to accrue on November 1. The taxing authority has several ways of collecting delinquent unsecured personal property taxes.

The County has not elected to implement the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly referred to as the “Teeter Plan”), whereby counties may opt to remit to local agencies the amount of uncollected taxes in exchange for retaining any subsequent delinquent payments, penalties and interest that would have been due to the local agency. As such, the City’s property tax revenues reflect both reduced property tax

revenue from uncollected taxes and increased revenue from the subsequent receipt of delinquent taxes, interest and penalty payments.

Recent assessed valuations by revenue category appear in the table below.

Table 25					
ASSESSED VALUATION⁽¹⁾					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Locally Assessed					
Land	\$306,136,812,787	\$329,102,259,292	\$352,506,933,714	\$375,613,820,236	\$394,598,572,212
Improvements	260,935,746,380	280,224,446,180	299,590,583,910	319,689,264,560	332,201,374,517
Personal Property	4,163,011,484	3,299,927,802	4,020,257,586	3,997,131,756	4,019,429,073
Less: Exemptions ⁽²⁾	<u>24,236,863,599</u>	<u>23,950,069,180</u>	<u>26,571,608,102</u>	<u>26,822,209,552</u>	<u>29,365,270,443</u>
Total Locally Assessed	\$546,998,707,052	\$588,676,564,094	\$629,546,167,108	\$672,478,007,000	\$701,454,105,359
Public Utilities ⁽³⁾	73,781,054	40,022,411	42,153,347	66,084,991	73,778,428
Unsecured Valuations	<u>20,848,434,238</u>	<u>22,575,613,220</u>	<u>23,370,052,850</u>	<u>23,469,028,925</u>	<u>22,238,902,102</u>
Gross Revenue-Producing Valuations	\$567,920,922,344	\$611,292,199,725	\$652,958,373,305	\$696,013,120,916	\$723,766,785,889
Less: Homeowners' Exemptions ⁽⁴⁾	<u>2,411,313,641</u>	<u>2,364,506,686</u>	<u>2,329,536,808</u>	<u>2,264,753,291</u>	<u>2,226,637,411</u>
Net Local Revenue-Producing Valuations	\$565,509,608,703	\$608,927,693,039	\$650,628,836,497	\$693,748,367,625	\$721,540,148,478
Change from Prior Year	6.6%	7.7%	6.8%	6.6%	4.0%

⁽¹⁾ As of January 1 of each year. These values apply to taxes levied in the fiscal year beginning the subsequent July 1. The information above is provided by the County in August of the relevant fiscal year.

⁽²⁾ Exclusive of the Homeowner Exemption.

⁽³⁾ Assessed by the State Board of Equalization.

⁽⁴⁾ Exemptions reimbursed to local governments by the State.

Source: County of Los Angeles, Office of the Auditor-Controller, Assessed Valuations Reports.

Prior to Fiscal Year 2010-11, a portion of the property taxes collected in the City were allocated to redevelopment project areas as tax increment. As part of the State's Fiscal Year 2011-12 Budget, legislation was approved to eliminate redevelopment agencies. While a portion of property tax increment revenue is still allocated to pay previously incurred enforceable obligations, a portion of the funds previously allocated to the City's Community Redevelopment Agency, including the proceeds from the sale of property, is now allocated to overlapping taxing jurisdictions, including the City, based on a legislatively mandated process. Because the proceeds from property sales were difficult to predict, the City has chosen to report property tax increment revenue from the former Community Redevelopment Agency separately from its other property tax revenues, as reported in the "General Fund Receipts" table, above.

Property taxes arising from the 1 percent levy are apportioned among local taxing agencies on the basis of a formula established by State law. Over the years, State budget pressures have resulted in various reallocations of property tax revenues, including transfers to school and community college districts by means of an Educational Revenue Enhancement Fund, the dissolution of redevelopment, the "Triple Flip" of property tax and sales tax receipts to secure certain State bonds (which ended in Fiscal Year 2016-17), and the "backfill" of reallocated Vehicle License Fee revenues with an increased allocation of property taxes. While limits on such reallocations have been instituted, no assurance can be given that property tax reallocations will not occur in the future. See "LIMITATIONS ON TAXES AND APPROPRIATIONS— Proposition 1A."

The table below summarizes the City's receipt of the basic 1 percent property tax and those reallocations received as property tax. This table excludes property tax attributable to the

dissolution of the Los Angeles Community Redevelopment Agency and the *ad valorem* tax levied to pay general obligation bond debt service; the latter is not reported in the General Fund. The Los Angeles County Assessor reported that the City’s assessed valuation for the 2021 property tax year increased by 4.0 percent. The Assessor’s estimate for countywide growth in assessed value for the 2022 property tax year is 6.0 percent. Estimated property tax revenue for the corresponding 2021-22 and 2022-23 fiscal years reflect the Assessor’s projected growth. However, the variance seen in the table below may be attributed to the timing of the County’s tax remittances to the City—as the property tax remittance period does not align with the City’s fiscal year, and to property tax revenue that is realized outside of the annual billing cycle such as redemptions, supplemental bills, refunds and other adjustments.

Table 26
PROPERTY TAX - ALL SOURCES⁽¹⁾
Annual Property Tax by Account
(\$ in thousands)

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	Estimated <u>2021-22</u>	Budget <u>2022-23</u>
Secured	\$1,458,252	\$1,528,635	\$1,612,184	1,645,439	1,831,737
Unsecured	56,894	59,230	57,782	60,641	60,640
Homeowner Exemption	7,875	7,941	7,771	7,775	7,780
Supplemental	39,270	39,039	40,469	44,199	45,710
Redemptions	19,622	21,375	31,241	31,351	25,800
County Admin Charges	(20,818)	(21,153)	(22,723)	(22,868)	(24,410)
Refunds	(23,084)	(19,547)	(15,701)	(15,872)	(15,872)
Adjustments	(941)	911	56	(1,296)	-
Miscellaneous Property	<u>7,045</u>	<u>10,167</u>	<u>11,221</u>	<u>7,967</u>	<u>9,500</u>
1% Property Tax	\$1,544,112	\$1,626,598	\$1,722,300	\$1,762,455	\$1,940
Percent Change ⁽²⁾	8.8%	5.3%	5.9%	2.3%	10.1%
State Vehicle License Fee Replacement	<u>473,440</u>	<u>505,710</u>	<u>539,055</u>	<u>560,550</u>	<u>594,120</u>
Property Tax All Sources	\$2,017,552	\$2,132,308	\$2,261,356	\$2,323,005	\$2,535,005
Percent Change	8.5%	5.7%	6.1%	2.7%	9.1%

⁽¹⁾ Cash basis.

⁽²⁾ Note that changes in 1% Property Tax receipts do not directly correspond to changes in assessed valuation, as it includes prior year delinquencies and penalties, among other adjustments.

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

A list of the 20 largest property taxpayers, based on secured assessed valuations within the City, for 2021-22, appears in the table below. The tax roll for the next fiscal year is typically released in the summer.

**Table 27
CITY OF LOS ANGELES
TWENTY LARGEST 2021-22 SECURED PROPERTY TAXPAYERS**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2021-22 Secured Assessed Valuation</u>	<u>Percent of Secured AV⁽¹⁾</u>
Douglas Emmett LLC	Office Building	\$ 2,672,575,239	0.38%
Essex Portfolio LP	Apartments	1,466,229,531	0.21
Century City Mall LLC	Shopping Center	1,091,138,977	0.16
Greenland LA Metropolis	Apartments with Retail	966,598,953	0.14
FSP South Flower Street	Office Building	964,738,709	0.14
Hanjin International Corp.	Hotel	867,474,871	0.12
Rochelle H. Sterling	Apartments	838,124,648	0.12
Omni Wilshire Courtyard LLC	Office Building	794,670,367	0.11
Anheuser Busch Commercial	Industrial	762,511,489	0.11
Valero Energy Corporation	Petroleum	746,204,280	0.11
One Hundred Towers LLC	Office Building	687,016,162	0.10
Trizec 333 LA LLC	Office Building	673,797,273	0.10
Tesoro Corporation	Petroleum	670,068,162	0.10
Maguire Partners 355 S. Grand LLC	Office Building	630,139,070	0.09
BRE HH Property Owner LLC	Office Building	625,298,936	0.09
APM Terminals Pacific Ltd.	Terminal Operations	614,119,000	0.09
Olympic and Georgia Partners LLC	Hotel	601,431,351	0.09
Tishman Speyer Archstone Smith	Apartments	600,722,759	0.09
LA Live Properties LLC	Commercial	561,741,163	0.08
Maguire Properties 555 W Fifth	Office Building	552,468,542	0.08
Total		\$17,387,069,482	2.48%

⁽¹⁾ Based on 2021-22 Local Secured Assessed Valuation of \$701,454,105,359. Total does not add due to rounding.

Source: California Municipal Statistics, Inc.

For additional information on the City’s property tax base, see “PART 2—HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION, Assessed Valuation and Parcels by Land Use and Per Parcel Assessed Valuation of Single-Family Residential Properties.”

Utility Users Taxes

The City imposes taxes on users of natural gas, electricity and communication services within the City’s limits. The tax rate is 9 percent of utility charges on taxable communication services, 10 percent for natural gas and residential electricity, and 12.5 percent for commercial and industrial electricity.

Revenue estimates account for known impacts, such as DWP rate increases, and market indicators, such as natural gas futures. Utility users tax receipts can be variable, as they reflect not only power, gas and telephone rates, but also business activities and changing technologies. Both electricity and natural gas sales are sensitive to weather (warm winters and cool summers reduce demand).

Projected revenues for the electricity users tax are based on estimates provided by DWP. Communication users tax receipts have declined as consumers abandon landline communication and switch to cheaper voice and texting mobile communication plans.

The table below shows the actual and budgeted receipts from utility users taxes.

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>Estimated 2021-22</u>	<u>Budget 2022-23</u>
Electric Users Tax	\$417,489	\$434,847	\$429,228	\$427,000	\$427,000
Gas Users Tax	77,035	73,837	72,752	88,000	88,000
Communications Users Tax	<u>149,628</u>	<u>129,695</u>	<u>113,259</u>	<u>108,550</u>	<u>99,100</u>
Total	<u>\$644,152</u>	<u>\$638,379</u>	<u>\$615,238</u>	<u>\$623,550</u>	<u>\$614,100</u>
Change from Prior Year	2.9%	(0.9)%	(3.6)%	1.4%	(1.5)%

⁽¹⁾ Cash basis.

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

Departmental Receipts

This category of revenues includes reimbursements to the General Fund from various special revenue and enterprise funds of the City, and charges for special services performed by City departments. Reimbursements include the costs of police, fire and other City services to the Airports and Harbor departments, staff costs for the sewer construction and maintenance program, and reimbursements from the Los Angeles County Metropolitan Transportation Authority (“MTA”) for police services on its bus and rail lines pursuant to a contract between the MTA and the City. These revenues also include charges imposed as regulatory measures by City departments, and fees charged for paramedic ambulance services. In prior years, this revenue category was called “Licenses, Permits, Fees and Fines.”

In 2022-23, departmental receipts will increase by \$54 million or 4.4 percent over 2021-22 estimates mainly attributable to emergency ambulance billing, services to DWP, MTA reimbursements, and special funded related costs.

The table below shows receipts from departmental receipts.

Table 29
DEPARTMENTAL RECEIPTS⁽¹⁾
(\$ in thousands)

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>Estimated 2021-22</u>	<u>Budget 2022-23</u>
Ambulance Fees	\$ 78,472	\$ 94,074	\$ 80,385	\$ 92,000	\$ 95,400
Services to Dept. of Airports	78,879	86,242	93,948	86,229	86,102
Services to Harbor Dept.	42,428	39,065	44,808	45,379	45,717
Services to DWP	29,847	32,473	14,490 ⁽²⁾	32,239	40,714
Services to Sewer Program	107,585	109,264	93,941	128,813	127,088
Solid Waste Fee	61,661	75,427	83,042	18,621	22,629
Gas Tax Reimbursements	23,108	21,769	41,963	31,387	28,220
Services to Stormwater Fund	-	4,732	3,037	-	-
Special Funds Related Costs	229,122	261,845	253,725	318,590	338,575
MTA Reimbursement	65,705	105,507	86,256	96,244	108,014
One Time Reimbursements	23,040	17,577	140,119 ⁽⁴⁾	13,305	14,721
Library Reimbursements	69,653	71,915	74,233	80,599	81,356
Recreation and Parks Reimbursements	49,177	49,287	52,813	64,725	64,725
State Mandated	3,320	7,172	3,806	4,247	3,000
Miscellaneous Taxes and Fees	8,540	-	-	-	-
Other Departmental Receipts	<u>259,232</u>	<u>129,308</u>	<u>190,950</u>	<u>206,971</u>	<u>216,684</u>
Total General Fund	\$1,129,767	\$1,198,296	\$1,257,516	\$1,219,349	\$1,272,944
Change from Prior Year	11.3%	6.1%	4.9%	(3.0)%	4.4%

⁽¹⁾ Cash basis.

⁽²⁾ Reflects a credit due to prior-year overpayments.

⁽³⁾ Because this fee has not been set to generate full cost recovery, funds are available to only partially reimburse Bureau of Sanitation overhead costs.

⁽⁴⁾ Includes \$125 million from the CARES Act allocated towards reimbursement for related expenses in 2020-21.

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

Business Tax

The business tax is imposed on persons engaged in a business within the City. The tax rate formula, which is established by ordinance, varies based upon the type of business.

In March 2017, voters approved City Measure M, which approved the cultivation and sale of recreational cannabis within the City, enables the formation of cannabis policy and regulation, decreases the business tax paid by medical cannabis businesses and implements a new business tax on recreational cannabis businesses. The 2022-23 Budget includes cannabis business tax revenue projected at \$142.9 million, representing 18.2 percent of business tax revenue.

The table below shows receipts from business tax.

Table 30
BUSINESS TAX RECEIPTS
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2018-19	\$603,123	8.8%
2019-20	655,849	8.7
2020-21	692,386	5.6
2021-22 Estimated	733,900	6.8
2022-23 Budget	786,900	6.4

⁽¹⁾ Cash basis.

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

Sales Tax

Sales and use taxes are collected on the total retail price of tangible personal property sold, unless specifically exempted. Included in the current County-wide tax rate is a sales tax collected by the State on behalf of cities (or, for unincorporated areas, on behalf of counties). The current local tax rate is 1 percent. Allocation of the 1 percent local component (often referred to as the “Bradley-Burns Sales Tax”) is on the basis of “situs,” or the point of sale. Additional sales taxes can be collected based on local voter approval. Included in the current County-wide rate are sales taxes collected for the Los Angeles County Metropolitan Transportation Authority for transportation purposes and taxes collected by the County for homeless services. A portion of those taxes is remitted to the City for deposit in special revenue funds.

The components of the current sales taxes collected in the City are presented below.

Table 31
LOS ANGELES CITY
SALES TAX COMPONENTS
As of July 1, 2021

State Rate		
General Fund Portion	3.9375%	
Local Revenue Fund	1.5625%	To support local health program costs (1991 realignment) and public safety services (2011 realignment).
Local Public Safety	<u>0.50%</u>	For the Local Public Safety Fund, approved by the State voters in 1993 as Proposition 172 to support local criminal justice activities. The City has budgeted \$44 million in Fiscal Year 2020-21 receipts, which are deposited in a special fund and appropriated to the Police and Fire Departments.
Total State Rate	6.00%	
Uniform Local Tax Rate (Statewide)		
County Transportation	0.25%	The County allocates a small portion of this to the City.
Local Point of Sale	<u>1.00%</u>	This is the “Bradley-Burns” sales tax, allocated to cities and counties (for unincorporated areas) by point of sale.
Total Uniform Local Rate	<u>1.25%</u>	
Total Statewide Rate	7.25%	
Optional Local Rates⁽¹⁾		
Proposition A (LACMTA)	0.50%	} Voter-approved measures to improve public transit and reduce traffic congestion. The City receives a portion of these funds, with the percentage varying by measure.
Proposition C (LACMTA)	0.50%	
Measure R (LACMTA)	0.50%	
County Measure M (LACMTA)	0.50%	
County Measure H (LA County)	0.25%	Voter-approved measure for homeless services.
Total Optional Local Rate	<u>2.25%</u>	
Total Sales Tax Rate	9.50%	

⁽¹⁾ State law permits optional voter approval of local tax rates, up to a combined maximum, which is 10.25% in the County. These rates are levied in 0.25% and 0.5% increments.

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

The following table shows the actual and budgeted General Fund receipts from the 1 percent local sales tax. Delayed Fiscal Year 2017-18 remittances resulting from the State’s implementation of a new sales tax automation system contributed to low growth in 2017-18 and high growth in 2018-19.

The pandemic had a significant impact on taxable sales and thus the City’s receipt of sales tax revenues. Various State actions during the pandemic, such as extension of filing dates and adjustment to its allocation methodologies, further obscured the impact of the pandemic on recent

receipts. Beginning in 2021-22, sales tax revenues recovered sharply and have grown to higher levels than before the pandemic.

Table 32
GENERAL FUND SALES TAX RECEIPTS
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2018-19	\$581,443	9.8%
2019-20	556,237	(4.3)
2020-21	524,618	(5.7)
2021-22 Estimated	665,420	26.8
2022-23 Budget	704,760	5.9

⁽¹⁾ Cash basis.

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

Documentary Transfer Tax

The documentary transfer tax is imposed on each transaction in which real property is sold that is evidenced by a recorded document. The City’s tax rate is 0.45 percent of the value of real property transferred. This tax is in addition to the 0.11 percent tax (\$1.10 per \$1,000) levied by the County. This tax is tied to real estate market activity and can be more volatile than other City revenues, as it reflects both sales volume and sales price. The greatest impact is seen when the two components move together. For example, this tax revenue declined 29 percent in 2007-08, and another 31 percent in 2008-09 during the Great Recession. Further contributing to the volatility of this revenue is the irregular pattern of business property sales; monthly remittances can fluctuate from zero to amounts in excess of \$10 million.

This tax revenue saw recent growth despite the pandemic. The 2022-23 Budget estimate assumes growth in home prices and decline in sales consistent with industry estimates.

The table below presents receipts from this revenue source.

Table 33
DOCUMENTARY TRANSFER TAX RECEIPTS
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2018-19	\$206,211	(0.8)%
2019-20	205,473	(0.4)
2020-21	235,922	14.8
2021-22 Estimated	303,351	28.6
2022-23 Budget	298,540	(1.6)

⁽¹⁾ Cash basis.

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

Power Revenue Transfers to General Fund

The City’s Charter Section 344(b) provides that the Council may, by ordinance, direct that surplus money in the Power Revenue Fund be transferred to the Reserve Fund with the consent of the DWP Commissioners. These funds are routinely appropriated from the Reserve Fund to the City’s General Fund budget. The DWP Commissioners may withhold their consent if such transfer would have a material negative impact on DWP’s financial condition in the year in which the

transfer would be made. The transfer rate has been 8 percent of surplus revenues beginning with 2009-10.

Variations can occur between the amount budgeted for transfer and the amount received, reflecting the variance between actual financial results of the Power System for the prior year from the results projected by the DWP at the time the budget is adopted. The estimated transfer amount is provided by the DWP at the time of budget adoption and is based on the Power System’s financial plan for the fiscal year currently in progress. At the close of the fiscal year, but before December 31 in the following fiscal year, the Board of DWP Commissioners affirms or amends the transfer amount according to its audited financial statements. The transfer occurs in the latter half of the following fiscal year.

The City has been the subject of litigation that challenged this long-standing practice of transferring a portion of surplus power revenues to the City’s General Fund as a violation of Proposition 26, which imposed new restrictions on taxation. The principal case on this matter was *Eck v. City of Los Angeles* (“*Eck*”). This matter was settled under a court-approved settlement on February 26, 2018; all appeals challenging the settlement have been exhausted. The settlement limits the annual amount of revenue transferred from the DWP to the City to 8 percent of the retail operating revenues of the 2008 Electric Rate Ordinance. Other remaining litigation associated with the transfer of such surplus power revenues has been resolved in the City’s favor. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 26.”

The following table shows transfers from the Power Revenue Fund. Beginning with Fiscal Year 2018-19, amounts reflect the settlement under the *Eck* case.

Table 34
TRANSFERS FROM POWER REVENUE FUND
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2018-19	\$232,557	(3.8)%
2019-20	229,913	(1.1)
2020-21 ⁽²⁾	218,355	(5.0)
2021-22 Estimated	225,015	3.1
2022-23 Budget	229,721	2.1

⁽¹⁾ Cash basis.

⁽²⁾ The 2020-21 transfer amount was reduced to reflect lower audited 2019-20 power system revenue.

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

Transient Occupancy Tax

The transient occupancy tax (“TOT”) is levied at the rate of 14 percent of the amount charged for hotel and motel rooms or other dwellings occupied for 30 days or less. The tax is collected by hotel operators, individuals, and short-term rental websites, which are subsequently remitted to the City monthly.

This revenue is very sensitive to changing conditions that affect travel and has been significantly impacted by the pandemic. Transient occupancy tax revenue for 2020-21 fell to 35 percent of its peak in 2018-19. While significant growth is budgeted in 2022-23 as travel recovers, it would still represent only 83 percent of its peak.

The 14 percent tax rate is composed of two parts: a 13 percent General Fund tax and a 1 percent special tax to fund the Los Angeles Convention Visitors' Bureau (also known as L.A., Inc.). The table below presents General Fund receipts from the 13 percent portion of the tax rate.

Table 35
GENERAL FUND TRANSIENT OCCUPANCY TAX RECEIPTS
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2018-19	\$318,888	6.6%
2019-20	253,539	(20.5)
2020-21	110,427	(56.4)
2021-22 Estimated	229,700	108.0
2022-23 Budget	263,220	14.6

⁽¹⁾ Cash basis.

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

Parking-Related Revenues

The General Fund receives revenue from three different revenue sources: parking fines, a parking tax, and transfers from a special fund that receives revenues from parking meters and City-owned parking lots. All three of these revenues were negatively impacted by the pandemic.

The schedule of parking fines is established by the Council. For budgeting purposes, parking fine revenue forecasts are based on the number of parking enforcement officers employed by the City's Department of Transportation and estimates of average revenues per ticket based on historical trends, collection rates and average worker productivity. While parking fine revenue had been declining for seven years, revenues were beginning to trend upwards in 2019-20 prior to the onset of the pandemic. The pandemic reduced both ticket issuance and the collection rate for fines, with 2020-21 revenue further reduced under relaxed parking enforcement and fine relief policies. The 2022-23 Budget is based on post pandemic issuance and collection activity.

The table below shows receipts from all parking fines.

Table 36
PARKING FINES RECEIPTS
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2018-19	\$129,900	(6.4)%
2019-20	114,865	(11.6)
2020-21	93,347	(18.7)
2021-22 Estimated	112,100	20.1
2022-23 Budget	130,000	16.0

⁽¹⁾ Cash basis.

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

The parking occupancy tax is levied at 10 percent of parking fees. Revenues from this source fell 53 percent from 2018-19 to 2020-21, from \$120.9 million to \$58.9 million. The 2022-23 Budget estimates \$111.3 million in revenues, close to pre-pandemic levels.

Table 37
PARKING OCCUPANCY TAX RECEIPTS
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2018-19	\$120,949	4.3%
2019-20	106,979	(11.6)
2020-21	58,844	(45.0)
2021-22 Estimated	96,900	64.7
2022-23 Budget	111,270	14.8

⁽¹⁾ Cash basis.

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

The Special Parking Revenue Fund collects receipts from parking meters and City-owned parking lots. Surplus revenues after the cost of operating and maintaining those facilities can be transferred to the General Fund. While the City has established an annual transfer of \$23.5 million as its target, higher and lower amounts are transferred in some years; no surplus funds were available for transfer in 2020-21.

Table 38
SPECIAL PARKING REVENUE FUND TRANSFERS
(\$ in thousands)

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>	<u>Change from Prior Year</u>
2018-19	\$32,116	3.6%
2019-20	31,294	(2.6)
2020-21	-	(100.0)
2021-22 Estimated	8,477	NA
2022-23 Budget	30,426	258.9

⁽¹⁾ Cash basis.

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

Impact of State of California Budget

A number of the City’s revenues are collected subvended by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. Approximately 40 percent of the City’s General Fund revenues are collected by the State or otherwise allocated in accordance to State law. During prior State fiscal crises, the State has reallocated a portion of such revenues to assist in its own budget balancing. Proposition 1A, adopted in 2004, amended the State Constitution to impose limits on the State’s ability to reallocate local revenue. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A.” The State budget provides certain funding for emergency response and for homelessness, from which the City expects to benefit.

The State’s fiscal year begins on July 1 and ends on June 30. The State Constitution requires the Governor to submit a budget for each fiscal year to the Legislature by the preceding January 10 (the “Governor’s Budget”). The Constitution requires the Legislature to pass a budget bill by June 15, although the Legislature has frequently failed to meet this deadline. Because more than half of the State’s General Fund income is derived generally from the April 15 personal income tax, the Governor submits a “May Revision” to his proposed budget. The Legislature typically waits for the May Revision before making budget decisions. Once the budget bill has

been approved by a majority vote of each house of the Legislature, it is sent to the Governor for signature. Increases in taxes require approval of a two-thirds majority of each house.

On May 13, 2022, Governor Newsom released the “May Revision.” The budget proposals with potential impacts to the City include:

- \$500 million over two years to accelerate the development of affordable housing focusing the majority of these investments on development in and near downtowns throughout the state specifically to convert existing infrastructure, underutilized retail space, and commercial buildings into residential uses.
- \$2 billion over two years to continue the state’s efforts to address homelessness by investing in behavioral health housing and encampment cleanup grants. The May Revision includes an additional \$150 million to fund more Homekey projects for a total of \$2.9 billion over two years and \$500 million over two years for the development of interim housing.
- \$1 billion for HHAP in 2022-23. Local governments are required to submit local homelessness action plans to the California Interagency Council on Homelessness by June 30, 2022 as a condition of receiving funding through the Homeless Housing, Assistance and Prevention (HHAP) Program.
- \$285 million over three years for grants to enhance local law enforcement response to organized retail theft crime, as well as assist local prosecutors in holding perpetrators accountable. The May Revision includes \$50 million in local law enforcement grants to support officer wellness and \$30 million for grants to assist minor who are victims of sex trafficking and to continue funding for the Internet Crimes Against Children Task Force Program.
- \$10 million to support a compost permitting pilot program that will help local government entities and facilities locate and permit small and medium-sized compost facilities.

The Legislature is holding hearings on Governor Newsom’s revised budget. The constitutional deadline for Legislature to send the Governor a budget is June 15th.

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution - Proposition 13

Article XIII A of the California Constitution, known as Proposition 13, was approved by the voters in 1978. Article XIII A limits the amount of *ad valorem* taxes on real property to 1

percent of “full cash value” as determined by the County Assessor, except that additional *ad valorem* taxes may be levied to pay debt service on local government indebtedness approved by the voters.

Article XIII A defines “full cash value” to mean the County assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed or when a change in ownership has occurred after the 1975 assessment period. The full cash value may be adjusted annually to reflect inflation at a rate, as determined by the consumer price index, not to exceed 2 percent per year. “Full cash value” base may be reduced in the event of declining property values caused by damage, destruction or other factors. Under the California Revenue and Taxation Code, county assessors that have reduced assessed valuation may be able to recapture such value (up to the pre-decline value of the property) at a rate higher than 2 percent per year in some circumstances.

See “MAJOR GENERAL FUND REVENUE SOURCES —Property Tax.”

Article XIII B of the California Constitution

Article XIII B of the California Constitution, approved by the voters in 1979 and commonly referred to as the “Gann Limit”, limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is the 1986-87 fiscal year as a result of Proposition 111.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the “proceeds of taxes” levied by the State or other entity of local government, exclusive of certain limited funds. In addition to the proceeds of General Fund taxes, “proceeds of taxes” include all tax revenues and proceeds from (1) regulatory licenses, user charges and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (2) the investment of tax revenues; and (3) certain funds received from the State. If any entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years. The Article XIII B limitation generally does not apply to debt service on voter-approved indebtedness and appropriations required to comply with mandates of courts, or the federal government or certain capital expenditures.

The table below sets forth the City’s appropriations limit and appropriations subject to limitation.

**Table 39
APPROPRIATIONS LIMITS AND APPROPRIATIONS SUBJECT TO LIMITATION**

<u>Fiscal Year</u>	<u>City Appropriations Limit</u>	<u>Appropriations Subject to Limitations</u>	<u>Amount Appropriations Are Under Limit</u>
2018-19	\$5,669,148,096	\$4,353,097,592	\$1,316,050,504
2019-20	6,234,016,905	4,585,351,952	1,648,664,953
2020-21	6,682,049,927	4,589,819,240	2,092,230,687
2021-22	7,173,171,778	4,714,764,906	2,458,406,872
2022-23 Budget	7,471,986,677	5,088,871,943	2,383,114,734

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

Articles XIII C and XIII D of the California Constitution - Proposition 218

Articles XIII C and XIII D of the California Constitution, approved by the California voters in 1979, restrict the ability of the City to levy and collect existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes or increases in existing local taxes be approved by the electorate before they become effective. Taxes for general governmental purposes of the City require majority voter approval and taxes for specific purposes introduced by a local government (as opposed to one introduced by citizen initiative), even if deposited in the City's General Fund, require two-thirds voter approval. These requirements reduce the flexibility of the Council to raise revenues for the General Fund and may prevent the City from imposing, extending or increasing such taxes in the future to meet any increased expenditure requirements.

Article XIII D contains provisions generally making it more difficult for local agencies to levy and maintain "assessments" (any levy or charge upon real property for a special benefit conferred upon the real property) for municipal services and programs and "property-related fees and charges" (any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service). Assessments shall not be imposed if there is a majority protest by property owners submitting ballots on the issue. Property-related fees or charges for services other than sewer, water and refuse collection services may not be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

The City is currently the subject of a putative class action lawsuit, entitled *Hoffman et al v. City of Los Angeles*, which alleges that the charges imposed on residential customers for the use and disposal of sewage through the City's sewage system violate Proposition 218 and other applicable City statutes. The court issued an interim decision on or about June 30, 2021, finding that the City failed to meet the procedural requirements under Proposition 218, along with other applicable City statutes, when it imposed residential sewer service charges on residential customers with its annual determination of a reduction factor (Dry Winter Compensation Factor) that is applied to such charges. A second phase of the trial over whether there were substantive violations under Proposition 218 (i.e., whether the City used the revenues derived from residential sewer service charges for non-sewer related purpose) as well as damages is pending. No class certification has occurred, and no trial date has been set. In the event of an adverse ruling, damages could be approximately \$180 million or more if a class is certified. The parties are currently in mediation in an attempt to resolve this matter. Any potential damages in this case are expected to be ultimately funded through the City's wastewater enterprise fund. The City does not expect a General Fund impact. However, a General Fund impact could arise if the wastewater enterprise fund, depending on the results of the second phase of the trial, lacks, in full or in part, available funds to satisfy the liability imposed from the second phase of the trial.

In addition, Article XIII C addresses the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. The voters of the City could, in the future, approve an initiative or initiatives that reduce or repeal local taxes, assessments, fees or charges. Such an action could have a material impact on the City's General Fund.

Proposition 26

Proposition 26 was approved by the electorate in 2010 and amended California Constitution Articles XIII A and XIII C. Proposition 26 imposes a majority voter approval requirement on local governments such as the City with respect to certain fees and charges for general purposes, and a two-thirds voter approval requirement with respect to certain fees and charges for special purposes, unless the fees and charges are expressly excluded. Proposition 26 was designed to supplement tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIII D pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payer that is not provided to those not charged, and which does not exceed the reasonable cost to the local government of providing the service or product.

The City has been subject to a series of lawsuits pertaining to the transfer of surplus power revenues, which is a material source of City General Fund revenues. The principal lawsuit on this matter was *Eck*. This matter was settled under a court-approved settlement on February 26, 2018. The settlement limits the annual amount of revenue transferred from the DWP to the City to 8 percent of the retail operating revenues of the 2008 Electric Rate Ordinance. The other lawsuits associated with the transfer of such surplus power revenues have been resolved in the City's favor. See "MAJOR GENERAL FUND REVENUE SOURCES—Power Transfer to General Fund."

Proposition 1A

Proposition 1A, approved by the voters in 2004, amended the State Constitution to impose limits on the State's ability to reallocate local revenue. The measure provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions.

Proposition 1A also limits, but does not totally restrict, the State's ability to shift any share of property tax revenues allocated to local governments in any fiscal year to schools or community colleges. Up to 8 percent of local government property tax revenues may be shifted if specified conditions are met, and any amount shifted must be repaid, with interest, within three years. The right of the State to redirect local revenues under Proposition 1A was exercised in Fiscal Year 2009-10.

Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that, if the State reduces the Vehicle License Fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues.

Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Future Initiatives

The voters of the City may approve initiatives that reduce or repeal local taxes, assessments, fees or charges. From time to time, other initiative measures could be adopted at the state or local level, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations, or which repeal or reduce existing taxes, assessments, fees or charges, which may affect the City's revenues or its ability to expend its revenues.

BONDED AND OTHER INDEBTEDNESS [TO BE UPDATED]

Introduction

The City has issued or caused the issuance of a variety of bonded and other debt obligations as provided for under the State Constitution, judicial interpretation of the State Constitution, State statutes, and its own Charter powers. The following summarizes that indebtedness.

The CAO serves as the City’s debt manager, structuring debt issuances and overseeing the ongoing management of all tax-secured, General Fund and certain special fund debt programs. These include general obligation bonds; lease obligations; tax and revenue anticipation notes; wastewater system and solid waste resources fee revenue obligations; judgment obligation bonds, if any; and special tax obligations, Mello-Roos bonds and certain special assessment obligations. Debt of the Housing Department and the City’s three proprietary departments—Airports, Harbor, and Water and Power—are administered by staff of the respective department.

General Obligation Bonds

The City may issue general obligation bonds for the acquisition and improvement of real property, subject to two-thirds voter authorization of the bond proposition. An *ad valorem* tax on all taxable property to pay principal and interest on general obligation bonds is levied by the City and collected by the County on the secured and unsecured property tax bills within the City. See “MAJOR GENERAL FUND REVENUE SOURCES—Property Tax”. The following summarizes the City’s various voter authorizations for general obligation bonds.

Table 40
GENERAL OBLIGATION BONDS
As of July 1, 2022

Date of Election	Projects	Amount Authorized	Amount Issued	Amount Outstanding ⁽¹⁾	Amount Authorized but Unissued
11/3/98	Zoo Facilities (Proposition CC)	\$ 47,600,000	\$ 47,600,000	\$ 643,137	--
11/7/00	Fire, Paramedic, Helicopter and Animal Shelter Projects (Proposition F)	532,648,000	532,648,000	19,540,177	--
3/5/02	Emergency Operations, Fire, Dispatch and Police Facilities (Proposition Q)	600,000,000	600,000,000	43,109,814	--
11/2/04	Storm Water Projects (Proposition O)	500,000,000	439,500,000	159,896,872	\$ 60,500,000
11/8/16	Homelessness (Proposition HHH)	<u>1,200,000,000</u>	<u>574,550,000</u>	<u>515,825,000</u>	<u>625,450,000</u>
	Total	\$2,880,248,000	\$2,194,298,000	\$739,015,000	\$685,950,000

⁽¹⁾ Includes pro-rata allocation of refunding bonds. Principal payments are made September 1.

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

The following indicates the *ad valorem* property tax rate levied to service the City’s general obligation bonds, as well as the overlapping property tax rates levied in the City.

Table 41
2020-21 TYPICAL TAX RATE PER \$100 OF ASSESSED VALUATION [Update ordered]
TRAs 00067, 00013, 00016⁽¹⁾

Countywide 1%	1.000000%
City of Los Angeles	.016538
Los Angeles Unified School District	.139929
Los Angeles Community College District	.040162
Metropolitan Water District	<u>.003500</u>
Total	1.200129%

⁽¹⁾ Tax Rate Areas 00067, 00013, and 00016 are the three largest within the City in terms of assessed valuation:

TRA 00067 2020-21 AV: \$238,147,109,971

TRA 00013 2020-21 AV: \$106,307,675,103

TRA 00016 2020-21 AV: \$103,685,780,556

Source: California Municipal Statistics, Inc.

Lease Obligations

The City may enter into long-term lease obligations without first obtaining voter approval, so long as these agreements meet the requirements of State law. The City has entered into various lease arrangements under which the City must make annual lease payments to occupy public buildings or use capital equipment necessary for City operations. Most of these lease agreements have been with a nonprofit corporation established by the City for this purpose, the Municipal Improvement Corporation of Los Angeles (“MICLA”). In most cases, securities have been issued in the form of lease revenue bonds, on which debt service is paid from the annual lease payments primarily made by the City’s General Fund. In some cases, as noted below, the lease obligation was privately placed directly with a bank or other private lender. Payment of lease payments is managed by the CAO and, unless otherwise noted, budgeted in the Capital Finance Administration Fund.

The following table summarizes the outstanding bonded and other long-term financing lease obligations payable from the City’s General Fund.

Table 42
GENERAL FUND BONDED AND OTHER FINANCING LEASE OBLIGATIONS
As of June 1, 2022

Series	Project	Amount Issued	Amount Outstanding	Final Maturity
Public Offerings				
MICLA Lease Revenue Bonds, Series 2010-C (Taxable) (dated November 23, 2010)	Real Property	\$ 18,170,000	\$ 15,225,000	11/1/40
MICLA Taxable Lease Revenue Refunding Bonds, Series 2015-A (dated November 19, 2015)	Real Property (Convention Center)	292,415,000	16,290,000	11/1/22
MICLA Lease Revenue Refunding Bonds, Series 2016-A (dated June 1, 2016)	Capital Equipment and Fixtures	125,235,000	69,695,000	11/1/26
MICLA Lease Revenue Refunding Bonds, Series 2016-B (dated June 1, 2016)	Real Property	685,270,000	555,845,000	11/1/39
MICLA Lease Revenue Bonds, Series 2018-A (dated February 6, 2018)	Capital Equipment and Fixtures	54,430,000	36,265,000	11/1/27
MICLA Lease Revenue Bonds, Series 2018-B (dated February 25, 2018)	Real Property	31,270,000	27,555,000	11/1/37
MICLA Lease Revenue Refunding Bonds, Series 2018-C (dated February 26, 2018)	Real Property	25,630,000	16,425,000	11/1/27
MICLA Lease Revenue Bonds, Series 2020-A (dated August 20, 2020)	Capital Equipment and Fixtures	84,725,000	78,030,000	11/1/30
MICLA Lease Revenue Refunding Bonds, Series 2020-B (dated August 20, 2020)	Real Property	80,850,000	66,870,000	11/1/40
MICLA Lease Revenue Refunding Bonds, Series 2020-C Taxable (dated August 20, 2020)	Real Property	102,265,000	79,075,000	11/1/41
MICLA Lease Revenue Refunding Bonds, Series 2021-A (Taxable) (dated March 4, 2021)	Capital Equipment and Real Property	177,470,000	172,405,000	11/1/38
MICLA Lease Revenue Refunding Bonds, Series 2021-B (dated March 4, 2021)	Capital Equipment and Real Property	60,481,000	60,481,000	11/1/38
MICLA Lease Revenue Bonds, Series 2021-C (dated December 15, 2021)	Capital Equipment and Real Property	<u>154,205,000</u>	<u>154,205,000</u>	11/1/41
Subtotal Public Offerings		\$1,892,416,000	\$1,348,366,000	
Private Placements				
MICLA 2016 Streetlights (dated April 5, 2016)	Capital Equipment and Streetlights	26,368,864	6,977,333	4/1/24
MICLA 2017 Streetlights Financing (dated April 18, 2017)	Capital Equipment and Streetlights	39,297,800	20,908,958	6/1/27
2017 Police Vehicles Lease Financing (dated November 15, 2017)	Capital Equipment	21,110,000	3,557,080	11/15/22
2017 Police Radios Lease Financing (dated December 22, 2017)	Vehicles and Handheld Radios	64,500,000	26,992,042	2/1/25
MICLA 2019 Streetlights Financing (dated September 30, 2019)	Capital Equipment and Fixtures	17,845,461	14,152,643	6/1/29
MICLA 2020 Streetlights Financing (dated November 1, 2020)	Capital Equipment and Fixtures	<u>9,088,272</u>	<u>8,301,947</u>	6/1/31
Subtotal Private Placements		<u>\$178,210,397</u>	<u>\$80,890,003</u>	
Total Lease Obligations		<u>\$2,070,626,398</u>	<u>\$1,429,256,002</u>	

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

Commercial Paper Programs

The City has created two commercial paper (“CP”) programs secured by lease agreements payable from the General Fund.

In 2004, the City and MICLA established a commercial paper program authorizing MICLA to issue lease revenue CP notes to finance and refinance capital equipment, the acquisition and improvement of real property, and other financing needs of the City (the “General MICLA CP”). The General MICLA CP program increased from time to time and is currently authorized for up

to \$425 million. The City expects to issue lease revenue bonds through MICLA from time to time to refund the General MICLA CP. As of June 1, 2022, \$194.9 million in General MICLA CP was outstanding under this program.]

The City has created a second CP program to issue up to \$100 million in lease revenue CP notes to finance and refinance capital improvements to the Los Angeles Convention Center facility (the “LACC CP”), which also represents a lease obligation of the General Fund. [Update: As of June 1, 2022, \$20.7 million in LACC CP was outstanding under this program.

In connection with each of these CP programs, the City arranged for the issuance of one or more irrevocable direct-pay letters of credit and entered into a reimbursement agreement with each of the credit banks. If the City is unable to secure replacement letters of credit, the related letters of credit would be drawn upon prior to expiration to pay interest and principal due on the CP. Under the reimbursement agreement, the City is generally required to reimburse the credit banks over a period of time, but at no more than the stipulated annual fair rental value of the leased properties. The reimbursement agreements contain a number of covenants and agreements on the part of the City, and specify events of default and remedies.

The direct pay letters of credit that support these CP programs are scheduled to expire on June 30, 2022. The City is in the process of securing new letters of credit. The table below summarizes the direct pay letters of credit that will support the payment of principal of and interest on the General MICLA CP and the LACC CP programs, respectively, as of July 1, 2022.

Table 43
LEASE REVENUE COMMERCIAL PAPER NOTES LETTERS OF CREDIT

Series	LOC Provider	Amount of CP Supported	LOC Expiration
A-1 and B-1	BMO Harris Bank, N.A.	\$150,000,000	June 30, 2025
A-2 and B-2	Bank of America, N.A.	100,000,000	June 30, 2025
A-3 and B-3	U.S. Bank National Association	175,000,000	June 30, 2025
Convention Center	U.S. Bank National Association	100,000,000	June 30, 2025

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

Revenue Bonds

The Charter and State law provide for the issuance of revenue bonds, which are secured by and payable from the revenues generated by various enterprise and special fund operations. These revenue bonds do not represent obligations of the General Fund of the City, nor are they secured by taxes. Revenue bonds administered by the CAO have been issued in the past that are secured by wastewater, refuse collection and parking revenues. In addition, three departments that are under the control of Boards appointed by the Mayor and confirmed by the Council, namely the departments of Water and Power, Harbor and Airports, have also issued revenue bonds.

Conduit Debt Obligations

The City has issued bonds or entered into installment purchase contracts secured by and payable from loans and installment sale contracts to provide conduit financing for single and multi-family housing, industrial development and unrelated third-party 501(c)(3) nonprofit corporations. These conduit bonds and certificates of participation are not managed by the CAO’s debt management group and are not obligations of the General Fund or other City revenues.

Cash-flow Borrowings

The City annually issues tax and revenue anticipation notes (“TRANs”) to alleviate short-term cash flow needs that occur early in the fiscal year when taxes and revenues have not yet been received. A large portion of these cash flow needs arise from the City’s long-standing practice of paying its contribution to its pension systems early in the fiscal year in order to receive a discount. The following table summarizes the City’s most recent TRANs issuance.

Fiscal Year	LACERS	Fire and Police Pensions	Cashflow	Total Par Amount
2018-19	\$477,615,000	\$672,655,000	\$391,160,000	\$1,541,430,000
2019-20	539,935,000	680,670,000	434,425,000	1,655,030,000
2020-21	515,155,000	714,395,000	531,755,000	1,761,305,000
2021-22	579,765,000	695,960,000	578,365,000	1,854,090,000
2022-23 (Estimated)	626,405,000	650,420,000	295,225,000	1,572,050,000

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

Summary of Long-Term Borrowings

The table below presents a statement of the City’s debt, while the subsequent two tables summarize the debt service to maturity of certain of these obligations. Direct Debt is usually defined as the total amount outstanding of “tax-supported” obligations, including general obligation bonds, lease revenue bonds, certificates of participation secured by lease payments, and other obligations paid from property tax or other general revenues. Net Direct Debt excludes any general obligation bonds and lease obligations that are self-supporting from non-General Fund sources; no such deductions are included below. Overall Net Debt is usually defined to be the combination of City Net Direct Debt plus the net tax-supported debt of overlapping counties, school districts and special districts, including assessment and Mello-Roos special tax debt.

Table 45
NET DIRECT DEBT
As of July 1, 2022

	<u>Outstanding</u>	
General Obligation Bonds	\$739,015,000	
Lease Obligations ^{(1) (2)}	\$1,429,256,002	
GROSS DIRECT DEBT	\$2,168,271,002	
Revenue Bonds ⁽²⁾		
Power Revenue (DWP)	\$11,097,635,000	
Water Revenue (DWP) ⁽³⁾	5,473,545,000	
Department of Airports	10,094,845,000	
Harbor Department	618,480,000	
Wastewater System ⁽³⁾		
Senior Revenue Bonds	879,840,000	
Subordinate Revenue Bonds	1,656,380,000	
Solid Waste Resources Fee	<u>147,015,000</u>	
Subtotal	\$29,967,740,000	
TOTAL CITY DEBT	\$32,136,011,002	
Less:		
Revenue Bonds	<u>(29,967,740,000)</u>	
NET DIRECT DEBT	\$2,171,271,002	
Plus:		
Overlapping Debt ⁽⁴⁾	<u>13,564,865,000</u>	[STILL TO COME]
NET OVERALL DEBT	<u>\$</u>	

⁽¹⁾ Includes only bonded and certificated lease obligations and long-term private placements.

⁽²⁾ Does not include any commercial paper or revolving credit agreements.

⁽³⁾ Does not include outstanding California State Revolving Fund loans.

⁽⁴⁾ Overlapping debt information from California Municipal Statistics, Inc. as of [June 1, 2022. See Table 53.]

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

Table 46
DEBT SERVICE TO MATURITY ON DEBT PAYABLE FROM PROPERTY TAXES⁽¹⁾
As of July 1, 2022

Fiscal Year	Principal	General Obligation Bonds		Total
		Interest		
2023	\$88,770,000	\$25,973,690		\$114,743,690
2024	71,595,000	20,372,575		91,967,575
2025	54,370,000	18,093,992		72,463,992
2026	47,315,000	16,271,642		63,586,642
2027	46,545,000	14,577,213		61,122,213
2028	45,085,000	13,014,731		58,099,731
2029	46,540,000	11,533,771		58,073,771
2030	41,825,000	10,079,818		51,904,818
2031	34,270,000	8,859,547		43,129,547
2032	34,190,000	7,799,351		41,989,351
2033	28,720,000	6,817,262		35,537,262
2034	28,720,000	5,908,522		34,628,522
2035	28,720,000	4,980,237		33,700,237
2036	28,720,000	4,041,849		32,761,849
2037	28,720,000	3,096,006		31,816,006
2038	28,720,000	2,142,708		30,862,708
2039	24,405,000	1,257,222		25,662,222
2040	10,595,000	711,189		11,306,189
[2041	10,595,000	429,098		11,024,098
2042	10,595,000	143,033		10,738,033]
Total	<u>\$739,015,000</u>	<u>\$176,103,456</u>		<u>\$915,118,456</u>

⁽¹⁾ Totals may not add due to independent rounding.

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

Table 47
DEBT SERVICE TO MATURITY ON BONDED AND CERTIFICATED LEASE OBLIGATIONS⁽¹⁾
As of July 1, 2022

Fiscal Year	Principal	Interest	Total
2023	\$ 137,734,590	\$ 55,415,796	\$ 193,150,385
2024	121,734,595	51,216,795	172,951,390
2025	117,220,117	47,171,849	164,391,966
2026	110,804,302	43,085,836	153,890,138
2027	114,854,518	38,685,881	153,540,398
2028	91,517,013	34,288,547	125,805,560
2029	84,740,289	30,448,118	115,188,407
2030	74,539,184	26,927,673	101,466,857
2031	77,972,395	23,480,907	101,453,302
2032	69,318,000	20,142,620	89,460,620
2033	61,746,000	17,160,649	78,906,649
2034	63,450,000	14,483,252	77,933,252
2035	62,769,000	11,926,748	74,695,748
2036	65,390,000	9,288,746	74,678,746
2037	68,252,000	6,416,430	74,668,430
2038	40,613,000	4,000,706	44,613,706
2039	28,311,000	2,488,698	30,799,698
2040	16,080,000	1,474,680	17,554,680
2041	13,645,000	739,438	14,384,438
2042	8,565,000	196,976	8,761,976
2043	0	0	0
Total	<u>\$1,429,256,002</u>	<u>\$439,040,345</u>	<u>\$1,868,296,348</u>

⁽¹⁾ Totals may not add due to independent rounding.

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

Debt Management Policies

The City adopted a written debt policy in August 1998, which was incorporated into the City’s Administrative Code in May 2000 and has also adopted policies for Mello-Roos financing, variable rate debt and swaps. Revisions of these policies were approved by the Council in September 2020. See “BUDGET AND FINANCIAL OPERATIONS—Financial Management Policies”. The City’s Debt Management Policy establishes guidelines for the structure and management of the City’s debt obligations. These guidelines include target and ceiling levels for certain debt ratios to be used for planning purposes. The two most significant ratios are shown below.

Table 48
DEBT MANAGEMENT POLICY RATIOS

<u>Ratio</u>	<u>Ceiling</u>	<u>2020-21</u>	<u>Estimated 2021-22</u>	<u>Budget 2022-23</u>
Total Direct Debt Service as Percent of General Revenues ⁽¹⁾	15.0%	4.51%	4.80%	4.75%
Non-Voted Direct Debt Service as Percent of General Revenues ⁽¹⁾	6.0% ⁽²⁾	2.78%	3.32%	2.97%

⁽¹⁾ For purposes of the Debt Policy, General Revenues includes the General Fund, the General Obligation Bond Debt Service Fund, and any tax revenues deposited into special funds that pay debt service on lease revenue bonds.

⁽²⁾ The 6% ceiling may be exceeded only if there is a guaranteed new revenue stream for the debt payments and the additional debt will not cause the ratio to exceed 7.5%, or there is not a guaranteed revenue stream but the 6% ceiling shall only be exceeded for one year.

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

The table below provides a comparison of City debt ratios for its net direct debt outstanding for the past five fiscal years.

Table 49
FINANCIAL RATIOS [update]

<u>As of June 30</u>	<u>Net Direct Debt</u>	<u>Net Debt Per Capita</u>	<u>Net Debt as Percent of Net Assessed Valuation</u>
2017	\$2,279,944,100	\$572	0.43%
2018	2,277,748,296	570	0.40
2019	2,241,343,140	562	0.37
2020	2,160,374,979	543	0.33
2021	2,064,424,459	526	0.30
[2022 if available]			

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

The table below shows debt service paid from the General Fund as a percent of General Fund revenues.

Table 50
GENERAL FUND DEBT SERVICE AS A PERCENTAGE OF GENERAL FUND⁽¹⁾
(\$ in thousands) [to update]

<u>Fiscal Year</u>	<u>Debt Service Payments⁽²⁾</u>	<u>General Fund Revenues⁽³⁾</u>	<u>Debt Service as Percentage of General Fund Revenue</u>
2018-19	\$226,334	\$6,236,881	3.63%
2019-20	228,118	6,569,750	3.47
2020-21	221,756	6,957,766	3.19
2021-22 [Adopted]	224,032	7,503,223	2.99
2022-23 [Budget]			

⁽¹⁾ Cash basis.

⁽²⁾ Debt service payments on lease obligations and, through 2019-20, judgment obligation bonds.

⁽³⁾ Including operating transfers in.

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

The table below provides a schedule of debt retirement for net direct debt.

Table 51
RETIREMENT OF NET DIRECT DEBT⁽¹⁾
As of June 1, 2022

	<u>General Obligation Bonds</u>		<u>Bonded and Certificated Leases</u>		<u>Total</u>	
	<u>Maturing Within</u> <u>Principal</u>	<u>Cumulative % of Debt Retired</u>	<u>Maturing Principal</u>	<u>Cumulative % of Debt Retired</u>	<u>Maturing Principal</u>	<u>Cumulative % of Debt Retired</u>
>0 to 5 years	\$308,595,000	41.8%	\$ 602,348,121	42.1%	\$ 910,943,121	42.0%
>5 to 10 years	201,910,000	69.1%	398,086,881	70.0%	599,996,881	69.7%
>10 to 15 years	143,600,000	88.5%	321,607,000	92.5%	465,207,000	91.1%
>15 to 20 years	84,910,000	100.0%	107,214,000	100.0%	192,124,000	100.0%
>20 to 25 years	<u>0</u>	100.0%	<u>0</u>	100.0%	<u>0</u>	100.0%
Total	\$739,015,000		\$1,429,256,002		\$2,168,271,002	

⁽¹⁾ Totals may not add due to independent rounding.

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

Variable Rate Obligations and Swap Agreements

The only variable-rate debt paid from General Fund revenues are the CP programs described above. There are no swap agreements payable from the General Fund.

Projected Additional Financings

The City currently anticipates the completion of some or all of the financings summarized in the table below secured in whole or in part by the City's General Fund or other revenues and taxes. Certificates of participation or lease revenue bonds in addition to those listed below may be approved for refundings or to finance real and personal property acquisitions and improvements.

Because of expectations of undertaking an expansion and improvement to the Los Angeles Convention Center, the City expects to continue appropriating approximately \$50 million a year

for that purpose, even though all outstanding lease revenue bonds will be retired in 2022-23. For 2022-23, \$16.6 million will be utilized for debt service and \$34.1 million will be allocated towards a future project. The City expects to allocate \$50 million annually thereafter. The actual timing and size of a future financing has yet to be determined, so is not included below. The City may also seek further general obligation bond authorization from voters.

Table 52
PROPOSED SCHEDULE OF BOND ISSUANCES⁽¹⁾
DEBT CALENDAR
(as of May 25, 2022)

	<u>Expected Sale Date</u>	<u>Amount</u>
<u>Fiscal Year 2022-23 Debt Issuance</u>		
General Obligation Bonds (Taxable) (Proposition HHH) and General Obligation Bonds (Tax Exempt) (Proposition O)	Fall 2022	\$389 million
MICLA Lease Revenue Bonds(Capital Equipment and Real Property)(CP Take-out)	Spring 2023	\$120 million
Solid Waste Resources Revenue Bonds	Spring 2023	\$135 million
2023 Tax and Revenue Anticipation Notes	Summer 2023	\$2.0 billion
<u>Fiscal Year 2023-24 Debt Issuance</u>		
Los Angeles Wastewater System Revenue Bonds (CP Take-out)	Spring 2024	\$360 million
MICLA Lease Revenue Bonds (Capital Equipment and Real Property)(CP Take-out)	Summer 2024	\$120 million
2024 Tax and Revenue Anticipation Notes	Summer 2024	\$2.0 billion

⁽¹⁾ Subject to change. Excludes commercial paper issuances.

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

Overlapping Bonded Debt

Contained within the City are numerous overlapping local agencies providing public services. Many of these local agencies have outstanding bonds issued primarily in the form of general obligation, pension obligation, lease revenue, special tax, and special assessment bonds. A statement of the overlapping debt of the City, prepared by California Municipal Statistics Inc., is shown in the following table. The City makes no representations as to its completeness or accuracy. Self-supporting revenue bonds, tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement. The City anticipates issuing additional bonded debt. See “BONDED AND OTHER INDEBTEDNESS—Introduction” and “Proposed Additional Financings”. The City also anticipates that new special assessment and special tax districts may be created in the future within the City, and that debt supported by these special assessments and special taxes may be issued.

Table 53
STATEMENT OF OVERLAPPING DEBT
As of June 1, 2022 [ordered]

	Debt Outstanding	Estimated Percent Applicable	Estimated Shares Of Overlapping
<u>OVERLAPPING DEBT REPAID WITH PROPERTY TAXES</u>			
The Metropolitan Water District of Southern California	\$ 26,830,000	21.429%	\$ 5,749,401
Los Angeles Community College District	4,146,515,000	72.335	2,999,381,625
Beverly Hills Unified School District	441,617,136	0.148	653,593
Inglewood Unified School District	134,275,000	0.760	1,020,490
Las Virgenes Unified School District	107,388,325	0.886	951,461
Los Angeles Unified School District	10,335,150,000	88.386	9,134,825,679
Other School Districts	541,217,928	Various	444,536
City of Los Angeles Community Facilities District No. 3	605,000	100.000	605,000
City of Los Angeles Community Facilities District No. 4	59,225,000	100.000	59,225,000
City of Los Angeles Community Facilities District No. 8	5,425,000	100.000	5,425,000
Mountains Recreation and Conservation Authority Assessment Districts	14,730,000	100.000	14,730,000
Los Angeles Unified School District supported general obligation bonds			136,883,398
<u>OTHER OVERLAPPING DEBT:</u>			
Los Angeles County General Fund Obligations	2,575,585,386	40.851	1,052,152,386
Los Angeles County Superintendent of Schools Certificates of	3,972,227	40.851	1,622,694
Los Angeles County Sanitation District Nos. 1, 4, 5, 8 & 16 Authorities	6,697,602	0.001 – 11.927	328,022
Inglewood Unified School District Certificates of Participation	1,185,000	0.760	9,006
Las Virgenes Unified School District Certificates of Participation	9,517,975	0.886	84,329
Los Angeles Unified School District Certificates of Participation	120,710,000	88.386	106,690,741
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$317,850,000	100.000%	\$317,850,000
TOTAL, OVERLAPPING DEBT			\$13,564,865,000

Source: California Municipal Statistics, Inc.

OTHER MATTERS

Seismic Considerations

The City is subject to unpredictable and significant seismic activity. A number of known faults run through the City, and the City lies near the San Andreas Fault, which is the boundary between the Pacific and North American tectonic plates. The complex Los Angeles fault system interacts with the alluvial soils and other geologic conditions in the hills and basins of the area. This interaction poses a potential seismic threat for every part of the City, regardless of the underlying geologic and soils conditions. In addition, there are likely to be unmapped faults throughout the City. The most recent major earthquake, the Northridge earthquake in 1994, occurred along a previously unmapped blind thrust fault. The City generally does not maintain earthquake insurance coverage; see “BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program.”

Environmental and Social Considerations

The change in the earth’s average atmospheric temperature, generally referred to as “climate change”, is expected to, among other things, increase the frequency and severity of extreme weather events and cause substantial flooding. The City cannot predict the timing, extent, or severity of climate change and its impact on the City’s operations and finances. Climate change may be a factor in the increased incidence of wildfire in the City and elsewhere in the County and

the State. Also, additional actions to address climate change may be necessary and the City can give no assurances regarding the impact of such actions on the City's operations and finances.

The City has undertaken a number of measures to address climate change and its effect on residents of the City. The Mayor released a plan originally titled "Sustainable City pLAn" in 2015, later revised as "L.A.'s Green New Deal" in 2019 ("the Plan"), which sets climate goals for a range of City activities. The goals of the Plan include recycling 100 percent of the City's wastewater and sourcing 70 percent of its water supply by 2035; providing 100 percent of the City's energy needs with clean energy by 2045; and for City operations to be 100 percent carbon neutral by 2050. The Plan is intended to both prepare for climate change and mitigate its effects on the City's economy, infrastructure and communities. The Plan sets forth several actions that may be taken by the City, including improving emergency response functions and disaster preparedness, reducing air and water pollution, and managing rising temperatures in urban environments.

In addition, the City Council created a standing committee to review all matters relating to "Energy, Climate Change, and Environmental Justice." The City has also created a Climate Emergency Mobilization Office within its Department of Public Works, which coordinates various City and community entities to implement equitable and just climate policies.

Among the specific initiatives being undertaken by the City include various improvements to the City's wastewater treatment plants in order to recycle all their flow for beneficial use, construction of a series of groundwater remediation projects to further reduce the City's reliance on imported water, exploring the use of specially designed "cool roofs" to manage the effect of rising temperatures in urban environments, and testing the effects of "cool pavement" (a special coating applied to city streets) to manage urban temperatures. As part of the 2022-23 Budget, the Bureau of Engineering was directed to develop and implement a plan for decarbonization of the City's facilities, and the Bureau of Sanitation directed to ensure that the City adheres to global protocols in tracking and reporting on citywide and municipal greenhouse gas.

The City has also taken various actions to address matters of social equity, including making historic investments to deliver on issues surrounding social justice. Other measures include new programs to advance racial and economic justice; new models to help reimagine public safety; strategies to help keep streets clean and deliver city services more quickly; and investments that empower young people and place them on a path to success.

[Among the areas where both environmental and equity considerations come into play are in the City's Capital Improvement and Technology Expenditure Program. See "BUDGET AND FINANCIAL OPERATIONS—Capital Program." In an effort to identify capital investments that work towards achieving the City's climate change mitigation, resilience, and sustainability goals, projects proposed for funding are labeled as Green Investments if they support climate goals as outlined in the Mayor's Green New Deal and are in alignment with the Green Bond Principles established by the International Capital Market Association. In addition, a Social Equity Index score has been identified for site-specific projects, with lower scores representing the most disadvantaged communities within the City. The intended social impact of the project is considered as part of the funding prioritization process.]

Cybersecurity

The City relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the City and its

departments face multiple cyber threats including hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. There have been, however, only limited cyber-attack disruptions on the City's computer system to date. For example, in 2019, the City experienced a cyber-attack that impacted a cloud-hosted system at a City department. The attack potentially involved certain personal information of about 20,000 applicants who went through the LAPD recruitment process. The City mitigated the attack and notified all the affected individuals immediately. The City installed web application firewall and endpoint protection system to quickly identify and respond to cyber-attacks targeted at the department web application systems.

In 2013, the City created the Cyber Intrusion Command Center (the "CICC") under a Mayoral Executive Directive to coordinate cybersecurity preparation and response across City departments. The CICC is comprised of key City departments, cybersecurity professionals, and local and federal law enforcement experts. The CICC has assisted the City in establishing policies for data classification, information handling, and cybersecurity prevention and response protocols. In 2015, the City established an Integrated Security Operations Center (the "ISOC") with cybersecurity professionals for cyber-attack monitoring and response. In addition, the City has identified critical data assets and applied additional cyber defenses through its Critical Asset Protection program. The City conducts cyber security awareness training for all City employees with computer access, conducts phishing email tests, and provides periodic cybersecurity newsletters and workshops to its employees. In 2017, the City consolidated and distributed a comprehensive Information Security Policy Manual with sections dedicated to City employees, City managers, and City technology professionals. Also, the City conducts annual "penetration tests" to identify and remediate any potential weaknesses in its networks and weekly cyber vulnerability scanning on City servers and websites accessible by the Internet.

No assurances can be given that the City's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the City's computer and information technology systems could impact its operations and damage the City's digital networks and systems, and the costs of remedying any such damage could be substantial.

Clean Water Compliance

General. The Clean Water Act ("CWA") regulates the discharges of pollutants into the waters of the United States by establishing water quality standards. The CWA requires states to identify "impaired" water bodies and to develop a Total Maximum Daily Load (TMDL) for each pollutant contributing to the impairment. The CWA makes it unlawful to discharge any pollutant into waters protected by the CWA unless a permit is first obtained. The U.S. Environmental Protection Agency's (EPA's) National Pollutant Discharge Elimination System (NPDES) permit program controls these discharges. With respect to the City, the EPA has delegated permitting and direct enforcement under its NPDES program to the Los Angeles Regional Water Quality Control Board (LARWQCB).

On July 23, 2021, the LARWQCB adopted the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit (MS4 permit) Order No. R4-2021-0105, which became effective on September 11, 2021. The MS4 permit establishes TMDL pollutant limits that can be discharged into water while still meeting water quality standards and objectives. Eighty-four of the 88 cities in Los Angeles County (including the City), the Los Angeles County

Flood Control District (LACFCD), and the Counties of Los Angeles and Ventura are covered by this Regional MS4 permit. The City is currently subject to 22 TMDLs, encompassing a total of 192 pollutants, in the Los Angeles River, Ballona Creek, the Santa Monica Bay shoreline, Dominguez Channel, Marina Del Rey, and several lakes within the City. The City will likely become responsible for more TMDLs in the coming years. The TMDL compliance deadlines are spread out through 2037.

The MS4 permit allows the responsible agencies the option of working together to develop and implement Watershed Management Programs (“EWMPs”) to address permit and TMDL requirements. As the requirements of the MS4 permit cross multiple local jurisdictions, the City collaborated with other participating agencies on the development of the EWMPs, which were approved by the LARWQCB in 2016.

Non-compliance with the MS4 permit and applicable TMDLs could result in enforcement action by the LARWQCB, civil penalties and fines, and potentially third-party lawsuits. For example, under State law, the LARWQCB may levy administrative fines of up to \$10,000 per pollutant per day of violation and impose mandatory minimum penalties of \$3,000 per pollutant per day of violation. In addition, under Federal law, the LARWQCB may seek civil liabilities of up to \$53,484 per pollutant per day, reflecting an increase in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. Additionally, private citizens or the EPA can pursue penalties if the LARWQCB does not enforce on a violation. The City is responsible for its own fines, penalties and costs incurred as a result of non-compliance.

The City is currently in substantial compliance with the MS4 permit, but requires significant funding for capital, and operation and maintenance costs to implement the WMPs necessary to meet the current TMDL compliance deadlines and its minimum control measures established by the MS4 permit. The City has partially funded the monitoring and reporting programs required by the MS4 permit by using existing Stormwater Pollution Abatement Funds (primarily funded by a charge on property) and by implementing cost sharing agreements between other municipalities. Unless relief is granted, the City could potentially face fines for failing to meet the TMDL milestones that will take effect by 2026.

While the MS4 permit has safe harbor provisions whereby the City was previously deemed in compliance with the TMDLs during the development of the EWMPs, in February 2022, the Regional Board advised the City that three of its watersheds— Santa Monica Bay, Upper Los Angeles River and Ballona Creek— have lost their deemed compliance status. The City is coordinating with the surrounding municipalities and the Regional Board to determine compliance implications and a proposed path forward.

The City’s share of the costs of the approved EWMP projects required to meet the TMDLs through 2037 is estimated by the LARWQCB to be approximately \$8 billion. Estimating project costs over such a long time period is inherently difficult and no assurance can be provided by the City that LARWQCB’s projections are accurate.

One source of funding for these Clean Water costs will be from a special parcel tax approved by Los Angeles County voters. On November 6, 2018, Los Angeles County voters approved Measure W – The Los Angeles Region Safe, Clean Water Program (Measure W), a parcel tax of 2.5 cents per square foot of impermeable surface to support the costs of stormwater-related projects and activities. The tax has been collected on property tax bills countywide beginning with Fiscal Year 2019-20 and is projected to generate approximately \$300 million a

year. This program is administered by the LACFCD. Revenues are allocated to three sub-programs: municipal, regional, and administrative. Fifty percent of revenues are allocated for region-wide projects and are awarded on a competitive basis. Forty percent of revenues are allocated to municipalities in the same proportion as the amount of revenues collected within each municipality. The remaining ten percent is allocated to the LACFCD for implementation and administration of the Measure W Program. Eligible uses for revenues include projects that provide a water supply and/or quality benefit and a community investment benefit.

The City has budgeted \$32 million from this source in the 2022-23 Budget and received \$36.4 million in 2021-22. In addition, the City competes for project funding from the Measure W Regional Program administered by the LACFCD. Under the regional program, the City (Bureau of Sanitation, Bureau of Street Services & Department of Water and Power) has secured funding totaling \$207.7 million over the next three years for projects.

As the regional program progresses, the City anticipates approximately \$10 million to \$20 million annually in regional returns.

In November 2004, the City of Los Angeles voters passed Proposition O, the Clean Water General Obligation Bond, authorizing the sale of \$500 million in general obligation bonds to finance projects that protect public health by cleaning up pollution in the City's rivers, lakes, and beaches. To date, the City has issued \$439.5 million in general obligation bonds for Proposition O and has \$60.5 million remaining in authorized but unissued authority, and expects to leverage bond proceeds to support Measure W projects seeking regional funding.

Hyperion Water Reclamation Plant Sewage Spill. On July 11, 2021, the City's major wastewater treatment plant (the Hyperion Water Reclamation Plant (the "Plant")) Headworks screening facility experienced a major raw sewage spill. The Plant's relief system was triggered and sewage flows were controlled through use of the Plant's one-mile outfall and the discharge of over 17 million gallons of untreated sewage into Santa Monica Bay. The Plant suffered major damage to critical equipment and vehicles. Normal Plant operations resumed on October 22, 2021, following months of cleanup and restoration. As of February 24, 2022, the City estimated that approximately 90% of repairs were complete.

Several lawsuits (*Mecklenburg v. Hyperion Water Reclamation Plant, Abdelnur, Katarina et al v. City of Los Angeles*, and *Konig, Joshua v. City of Los Angeles*) have been filed against the City in connection with this incident. Each of these three lawsuits have been determined to be related by the court. The City is aware of other potential lawsuits that may be filed in connection with this incident. The City cannot determine at this time the extent of the financial impact of this incident as the costs of repairs to the facility and equipment, the amount of resulting fees and fines by regulatory agencies, the costs resulting from any litigation or other proceeding related to the incident, and other incidental costs/damages are currently unknown but such amounts could be substantial. It is expected that any financial impact would be limited to the City's wastewater enterprise fund. The City, nonetheless, cannot provide any assurances that this incident and resulting matters would not have an impact on the General Fund.

Solid Waste Organics Diversion

Beginning January 1, 2022, State law (SB 1383) implements requirements for the reduction of organic waste disposal (e.g., food waste, green waste, paper products) by 75% by 2025. These goals are consistent with City's Green New Deal, Sustainable City pLAn.

Current estimates are that the more intensive processing costs of composting and anaerobic digestion of comingled organics will increase the cost of disposal from \$60 to \$125 per ton. The phased implementation of the organics program is anticipated to cost an additional \$21.4 million in disposal tip fees for Fiscal Year 2022-23. With full implantation the following year (2023-24), the tip fee budget is anticipated to increase by another \$34.3 million. In addition to tip fees, staff, equipment, information technology, public outreach and other expenses are also required to implement the program.

Currently, the City's refuse collection fees do not fully support the solid waste operation, with the General Fund providing approximately \$64 million in funding for Fiscal Year 2022-23. Unless recovered through increased refuse collection fees, the costs of the organics reduction program would be borne by the City's General Fund.

2028 Olympic and Paralympic Games

The City has been selected by the International Olympic Committee ("IOC") as the host city for the 2028 Olympic and Paralympic Games ("2028 Games"). The local host committee is named the Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 ("LA 2028").

In accordance with a Memorandum of Understanding ("2028 MOU") between the City, the United States Olympic Committee ("USOC"), and LA 2028, an independent review was conducted by KPMG to validate the 2028 Games budget. The 2028 Games budget is \$6.88 billion, which includes both a contingency against cost overruns of \$615.9 million and the impact of inflation. The City and LA 2028 approved the Youth Sport Partnership Agreement in February 2020 to provide the City \$160 million in order to enhance access and remove barriers to sport programming for youth leading up to the 2028 Games. The 2028 Games Agreement ("2028 Games Agreement") incorporates the provisions of the 2028 MOU and further identifies the obligations and actions between the City and LA 2028 regarding the hosting of the 2028 Games including establishing a process for determining necessary City resources to support the 2028 Games and the reimbursement of costs identified in the 2028 Games Agreement.

Pursuant to a Host City Contract between the City and the IOC, the IOC is protected against any costs and expenses in excess of those agreed to by the IOC. The City has several funding sources to finance expenses relative to the 2028 Games, including \$160 million pursuant to a Youth Sport Partnership Agreement and up to \$270 million from the State for budgetary shortfalls if the host committee has exhausted its funds and the City has spent \$270 million on the 2028 Games.

Other cities that hosted the Olympic Games and the Paralympic Games have incurred significant financial obligations because of the extensive capital project expenses of construction of new public infrastructure and facilities. However, the City does not anticipate it will be necessary to construct extensive new capital projects in order to host the 2028 Games. The City is presently unable to determine the fiscal impact and financial risk to the City of hosting the 2028 Games.

Federal Public Corruption Investigation

Jose Huizar, a former member of the Los Angeles City Council, has been indicted for violations of the Racketeer Influenced and Corrupt Organizations ("RICO") Act in connection with a criminal enterprise in which the United States Attorney alleges that Mr. Huizar received at

least approximately \$1.5 million in bribes. Mr. Huizar was suspended from office on June 23, 2020. He has since been replaced by Kevin de Leon. Eight additional defendants have been charged as a result of the federal investigation, including two former officials of the City, one of whom has plead guilty.

The federal criminal complaint against Mr. Huizar is part of an on-going public corruption investigation of City elected officials and staff members conducted by the Federal Bureau of Investigations and the United States Attorney's Office. Mitchell Englander, a former City Council member, resigned his City Council seat on December 31, 2018, pled guilty in connection with the investigation, and has begun serving 14 months in federal prison. The City cannot predict the outcome of these investigations.

On October 13, 2021, Mark Ridley-Thomas, a member of the City Council, was indicted on federal charges of conspiracy, bribery, mail fraud and wire fraud relating to alleged actions taken while he served on the Board of Supervisors of the County. On October 20, 2021, the Council voted to suspend Mr. Ridley-Thomas from office in light of the charges. The City cannot predict the outcome of the investigation or proceedings. On February 22, 2022, the City Council voted to appoint Herb Wesson to fill the temporary vacancy created by Mr. Ridley-Thomas' suspension and represent Council District 10 until December 31, 2022, or until Mr. Ridley-Thomas is acquitted or the charges against him are dropped, whichever comes first. Mr. Wesson's appointment was challenged by a nonprofit entity and certain registered voters of Council District 10. The Superior Court denied the relief sought by the challengers on the grounds that they must first obtain leave from the Attorney General before seeking judicial consideration of their claims. If the Attorney General grants the challengers leave to sue, they would have the option to file an amended petition with the court. The City plans to continue to defend any challenge to Mr. Wesson's temporary appointment.

LITIGATION

The City is routinely a party to a variety of pending and threatened lawsuits and administrative proceedings that may affect the General Fund of the City. The following list of certain newly completed, pending or threatened litigation matters involving the City was prepared by the Office of the City Attorney, and includes matters with a potential exposure of \$10 million or more. For all pending or threatened litigation matters and administrative proceedings not listed below, the City believes, based on current facts and circumstances, that a final determination of such matters, either individually or in the aggregate, should not materially affect the General Fund's financial position. Certain litigation or administrative proceedings discussed below, if determined in a final and conclusive manner adverse to the City, may, individually or in the aggregate, materially affect the General Fund's financial position.

1. *Federal Accessibility Law Matters.*

- False Claims Act Claim*

- The City Attorney was advised by letter, dated November 30, 2011, that the Civil Fraud Section of the U.S. Department of Justice was investigating whether the City allegedly violated the False Claims Act ("FCA") in connection with certain federal accessibility law compliance certifications to U.S. Department of Housing and Urban Development ("HUD").

On June 7, 2017, the U.S. District Court of the Central District of California released its order announcing DOJ's election to intervene, on behalf of two private parties pursuing litigation against the City for FCA violations arising out of such certifications and other state common law claims against the City.

If the DOJ is successful in its suit, the City could face potential exposure to treble damages calculated based on the City's receipt of Community Development Block Grant ("CDBG"), HOME Investment Partnership, and Housing Opportunities for People with AIDS ("HOPWA") funds from as early as 2001 until 2010, as well as related civil penalties, which, based on the private parties' original complaint, is estimated to be approximately \$3 billion. However, the City disputes (1) any assertion that, as a matter of law, the City's certifications signed as part of these entitlement programs are subject to the FCA; (2) that any conduct by the City otherwise met the high standard for imposing FCA liability; (3) that there is a factual basis for treble damages calculated from the total of these receipts, even if the Court otherwise found the City liable; and (4) that there is any legal basis for DOJ to bring the state common law claims against the City. The City is vigorously defending its interests in this matter. Due to the preliminary nature of the matter, an estimable liability amount is difficult to ascertain at this time.

HUD Investigation

During three visits in late 2011, HUD's Office of Fair Housing and Equal Opportunity ("HUD FHEO") purportedly reviewed the City's compliance with the Americans With Disabilities Act ("ADA") and other federal accessibility laws as part of HUD FHEO's oversight of the City's receipt of federal funds from HUD, which the City uses to fund housing developments.

On August 2, 2019, the City and HUD entered into a Voluntary Compliance Agreement ("VCA"). The VCA addresses the same alleged deficiencies and conduct underlying DOJ's claims against the City in connection with its compliance certifications under the FCA. Under the VCA, the City committed to spend no less than \$20 million per year for the next ten years to correct accessible deficiencies in its City funded housing developments to the extent such remediation costs are not covered under the *Independent Living* settlement discussed below. As a result of the City's execution of the VCA, the Civil Rights Division of DOJ has notified the City that it has terminated its investigation of the City's alleged noncompliance with federal accessibility laws.

Independent Living Center of Southern California, et al. v. City of Los Angeles

This case was brought by three fair housing advocacy organizations against the City, CRA/LA, and 34 owners of affordable housing projects. The City settled the matter with the plaintiffs on August 30, 2016. Under the terms of the settlement, the City will spend approximately \$200 million dollars over 10 years to provide 4,000 additional housing units compliant with federal accessibility requirements. To reach this goal, the City will either remediate existing housing units that are not currently in compliance with federal accessibility requirements or construct new housing units compliant with federal accessibility requirements. The City also

agreed to pay the following: (a) \$4.5 million in damages to the plaintiffs, (b) \$16 million in attorneys' fees, (c) approximately \$750,000 in plaintiffs attorneys' costs, and (d) \$6,000,000 in court appointed monitor fees. The terms under this settlement agreement largely overlap with the construction and remediation obligations, required of the City under the VCA described above. However, to account for additional costs associated with the monitoring of the terms of the settlement, in late 2019 the court required the parties to meet and confer on increasing these fees. In October 2020, the City Council approved an additional increase in the court-appointed monitor fee of \$606,000 for the initial three years of the ten-year settlement term. The cost of this increase to the City is partially offset by \$427,000 in savings from Fiscal Year 2018-19. In October 2020, the City Council also approved an additional \$3,578,000 in attorneys' fees for monitoring the last seven years of the settlement term.

2. *Clear Channel Outdoor, Inc.*

Clear Channel filed a Claim for Damages, dated February 1, 2018, for an amount in excess of \$100 million arising from a federal appellate court decision invalidating a settlement agreement between the City and certain outdoor advertising companies (the "Summit Media Decision"). The claim alleges: (i) violation of the City's representations and warranties in the settlement agreement that the conversions of its existing signs to digital technology did not violate the City's regulations, and that (ii) just compensation is due under the California Outdoor Advertising Act. The City denied the claim by letter dated March 1, 2018. The parties entered into another tolling agreement extending the term to August 1, 2022. Unless the tolling agreement is extended again, the statute of limitation will begin to run starting August 1, 2022.

3. *CBS Outdoor.*

CBS Outdoor filed a Claim for Damages on May 13, 2013, for an amount stated to be in excess of \$1 million arising from the Summit Media Decision, for damages, lost revenue, attorneys' fees, restitution and costs. The City denied the Claim by letter dated June 8, 2013. The parties' most recent tolling expired on January 1, 2020. CBS Outdoor has four years to file suit. A suit has yet to be filed.

4. *Brewster v. City of Los Angeles.*

On or about November 2, 2014, plaintiffs filed a putative class action in Federal District Court for damages pursuant to 42 U.S.C. § 1983. The complaint alleged that the City violated the plaintiffs' rights under the Fourth Amendment of the U.S. Constitution, and related state laws, by impounding vehicles without a warrant for 30 days pursuant to Vehicle Code section 14602.6.

On December 26, 2014, the City filed a motion to dismiss the plaintiffs' complaint. The Federal District Court granted the City's motion to dismiss the complaint on March 19, 2015. Plaintiffs appealed the Federal District Court's dismissal to the Ninth Circuit Court of Appeals. On June 21, 2017, the Ninth Circuit Court of Appeals reversed the District Court's decision to dismiss the complaint. The City sought review of the Ninth's Circuit's decision with the U.S. Supreme Court. On

March 19, 2018, the U.S. Supreme Court denied the City's request. The District Court heard arguments on the motion for class certification on September 21, 2020. On August 5, 2021, the District Court granted plaintiff's motion for class certification in part and denied the motion in part. The District Court certified two classes and denied the certification of a third. Plaintiffs filed a motion of reconsideration with respect to the third class on August 17, 2021. On September 24, 2021, the District Court granted plaintiff's motion to file a renewed motion for certification of the third class by October 25, 2021. The plaintiffs filed their renewal motion on October 21, 2021. In the event the third class is certified, the potential liability could increase the City exposure from \$18 million (from the certification of the two classes) to approximately \$75 million to \$100 million. The City is contesting the renewal motion for certification of the third class and the certification of the other two classes.

5. *Blue Cross of America v. City of Los Angeles.*

On March 30, 2017, Blue Cross filed a protective tax refund complaint of business taxes paid for tax year 2015, under Article XIII, Section 28 of the California Constitution. In October 2017, Blue Cross filed a supplemental claim (together with the 2017 complaint, the "Blue Cross Action") seeking additional refunds of business taxes paid for tax years 2016, 2017, 2018 and 2019. Blue Cross' protective refund action arises out of a separate action in Los Angeles County Superior Court, entitled *Michael D. Myers v. State Board of Equalization, et al. (BS143436)* ("Myers"). *Myers* proceeded under a California statute that permitted an individual taxpayer to sue a governmental agency when the taxpayer believes the agency has failed to enforce governing law.

One of the issues to be resolved in *Myers* is whether Blue Cross is an "insurer" for purposes of California tax law and therefore required to pay a gross premiums tax in lieu of a corporate franchise tax. Following an adverse appellate court ruling, which concluded that the matter should be first adjudicated at the trial court, on April 2, 2019, Blue Cross filed a request to the California Supreme Court to resolve the question of whether Blue Cross is an "insurer" under the California Constitution. The California Supreme Court denied the appeal on May 15, 2019. Due to COVID-19, the trial was rescheduled from July 2020 to January 2021. On February 21, 2021, the trial court, in a judgment, determined that Blue Cross was not an "insurer". On March 21, 2021, the plaintiffs filed a notice of appeal. The plaintiffs' appeal was denied and the matter is before the trial court for further pleadings. In the event that Blue Cross is determined to be an "insurer" upon final adjudication of the issue, it would likely be entitled to a refund of previously paid City business taxes. The refund is estimated to be approximately \$55 million (inclusive of interest), as computed through the end of 2021, plus attorney's fees.

6. *Apartment Owners Association of Ca. v. City of Los Angeles.*

On September 27, 2017, the plaintiffs filed a class action claim in Superior Court alleging the franchise fee collected by the City from private commercial waste haulers for the rights to service commercial and multi-family buildings should be treated as a tax under Proposition 218, and therefore required voter approval. The

plaintiffs asserted two causes of action: (1) a refund of the franchise fees; and (2) a declaration that the franchise fees are taxes. On November 2, 2020, the City filed a motion for summary judgment on both causes of action; that same date, the plaintiffs filed a motion for summary adjudication of the second cause of action. On March 16, 2021, the Court granted the City's motion for summary judgment, holding that the plaintiffs lacked standing to bring both causes of action. On the same date, the Court also denied the plaintiffs' motion for summary adjudication. On April 6, 2021, judgment was entered in the City's favor. On June 2, 2021, the plaintiffs' filed a notice of appeal.

7. *LA Alliance for Human Rights et al. v. City of Los Angeles et al.*

On March 10, 2020, the plaintiffs filed suit against the City and the County of Los Angeles (“County”) for violating various State and Federal laws in connection with homeless individuals. The plaintiffs contend that the County and the City have not made sufficient progress in providing housing and other services to the homeless population. Such failure has resulted in impassable sidewalks and exposed the public to health risks, environmental hazards, increased crime, and untreated mental illness and addiction. The plaintiffs demand that the Defendants provide immediate shelter for all homeless individuals to abate the degradation of the cities and communities.

On May 15, 2020, the US District Court of Central District of California (“District Court”) issued a preliminary injunction requiring the City and the County to relocate and shelter approximately 6,000 to 7,000 homeless individuals living near freeway overpasses, underpasses, and ramps. Of that number, approximately 3,000 to 4,000 were found in the City. Under the order, the City, together with the County, were required to shelter or provide alternative housing to these homeless individuals in facilities that were safe, humane, hygienic, and public health compliant. The injunction was to be effective on May 22, 2020. The District Court stayed its order on May 22, 2020 pending the review of an alternative shelter and relocation plan submitted by the City and County. On June 18, 2020, the City and County entered into an agreement to memorialize an alternative shelter and relocation plan, subject to court approval and monitoring. Under the agreement, the City agreed to provide 6,700 shelter beds, permanent supporting housing units, safe parking spaces and other interventions (collectively, “beds” or “interventions”) to shelter homeless individuals. Of that number, 6,000 would be additional new beds to be available from the date of the agreement, as follows: 5,300 beds within 10 months and 700 beds within 18 months. On June 18, 2020, the District Court approved the agreement and vacated the preliminary injunction. As of December 31, 2021, the City opened 6,566 new beds and 754 other interventions from existing agreements.

A preliminary estimate of the capital cost to the City for providing the 6,700 beds is \$200 million. The City estimates that the annual cost of operations and services for this population is \$104 million, of which the County has agreed to pay the City approximately \$60 million per year for five years. The City has committed to fund the remaining half of the estimated annual operations and services costs. Such costs will total approximately \$300 million over five years. While the City anticipates

that all of these obligations will be financed in 2021-22 with COVID-related federal and State funds, and County funds for services, in future years these obligations could result in additional expenditures from the City's General Fund.

On April 1, 2022, the City and the plaintiffs filed a notice with the District Court indicating they had reached a potential settlement framework. Under the proposed settlement, the City would agree to create shelter or housing to accommodate 60 percent of unsheltered persons experiencing homelessness (PEH) in the City. As in the City's June 18, 2020 settlement, the City may choose, at its sole discretion, any housing or shelter solution, including but not limited to tiny homes; shared housing; purchased or master leased apartments, hotels/motels, or other buildings; congregate shelters; permanent supporting housing; rental assistance/rapid rehousing; family reunification; sprung structures or tents; safe parking; safe sleeping/camping; interim housing, etc. The 60 percent of PEH will be measured against LAHSA's 2022 Point In Time Count (the annual census of PEH which is still in progress) of those unsheltered PEH in the City who can reasonably be assisted by the City (meaning such persons do not suffer from serious mental illness and are not chronically homeless with a substance use disorder or chronic physical illness or disability requiring the need for professional medical care and support). Based on LAHSA's 2020 count, such proposed settlement framework could require approximately 13,000 new beds for which total capital and operating costs could be as high as \$3 billion during the five year period. Such estimates do not include the new beds that were agreed to be provided, or related costs, under the City's June 18, 2020 agreement. The proposed settlement, which has been approved by the City and the Plaintiffs, awaits approval from the District Court. A hearing date of June 9, 2022 is scheduled for the District Court to decide whether to approve the proposed settlement. If the proposed settlement is not approved, the District Court case would continue to proceed, as modified by the amended complaint which was filed on October 29, 2021.

The majority of the funding under this proposed settlement framework is expected to be provided by the City's Proposition HHH general obligation bonds and other available funding. Any additional financing that would be needed has yet to be identified, but could come from other government sources including the County, State, and federal agencies.

8. *Black Lives Matter et al. v. City of Los Angeles et al.*

On or about July 7, 2020, the City was served with a class action lawsuit alleging that the Los Angeles Police Department violated the Federal and State Constitutional rights of protestors and rioters during its response to quell civil unrest in late May and early June 2020. The protests and riots were part of the nationwide movement following the deaths of George Floyd, from the actions of four officers of the Minneapolis Police Department, and Breonna Taylor, shot by Louisville Metro Police Department officers. The lawsuit was filed in Federal District Court. The lawsuit seeks class certification, injunctive relief and unspecified damages. The court issued an injunction against the City which limited LAPD's use to less lethal munitions in public protest situations. Trial is scheduled

for February 28, 2023. In the event of an adverse ruling at trial, liability could be approximately \$15 million.

9. *GHP Management et al. v. City of Los Angeles et al.*

On August 27, 2021, the City was served with a lawsuit, in District Court, that alleges that the City's COVID-19 eviction moratorium constituted an uncompensated governmental taking in violation of the U.S. and California Constitutions. The moratorium, plaintiffs claim, has permitted their tenants to abstain from remitting any rental payments while continuing to reside in the rental units. They seek damages in the form of unpaid rents, interest, and attorneys' fees. The City filed a motion to dismiss the complaint on October 18, 2021, and a hearing for the motion was heard on January 24, 2022, and a ruling is pending. At this time, due to the preliminary nature of the lawsuit, an estimable liability amount cannot be determined.

10. *Paola French and Russell French v. City of Los Angeles et al.*

On April 1, 2020, the plaintiffs filed a wrongful death and battery action, amongst other claims, based on both federal and state law against the City of Los Angeles and Salvador Sanchez, a former LAPD officer, in Federal District Court. The suit arose from actions taken by Salvador Sanchez, who was off-duty and shopping with his family, inside a Costco located in Corona, California, which led to the death of the plaintiffs' son, Kenneth French, and severe injuries to the plaintiffs, following an incident inside the Costco between Kenneth French and Salvador Sanchez. The incident prompted Salvador Sanchez to remove a concealed, personal handgun from his waistband and shoot Kenneth French and the plaintiffs. Kenneth French died as a result of his gunshot wounds and the plaintiffs suffered significant injuries from their gunshot wounds. On October 27, 2021, following a six-day trial, the jury awarded the plaintiffs approximately \$17.5 million, of which the City is potentially responsible for approximately \$13.5 million, plus attorney's fees of approximately \$1.9 million which the court granted on May 11, 2022. The City intends to appeal.

11. *Artura Aceves Jimenez v. City of Los Angeles et al.*

In 1995, the plaintiff, at age 19, was convicted for murder in connection with a gang-related shooting. The plaintiff maintained his innocence. A post-conviction investigation into the murder allegedly revealed the identity of the real killer and that the prosecution's only identifying eyewitness was allegedly pressured into making an erroneous identification. Further, it is alleged that another eyewitness excluded plaintiff as the killer. Based on this evidence, after more than 25 years of alleged wrongful incarceration, the Los Angeles County District Attorney's Office conceded that the plaintiff's conviction was unconstitutional, and the Superior Court vacated his conviction and issued a finding of factual innocence. Following his release, on September 2, 2021, the plaintiff sued the City, together with other parties, for wrongful incarceration in Federal District Court. The plaintiff alleges that because of the alleged wrongdoing of an LAPD detective, the plaintiff was wrongfully convicted of murder. The trial is scheduled for July 2022. In the event of an adverse ruling, liability could be approximately \$15 million.

12. *Akili et al. v. City of Los Angeles et al.*

In late November/early December of 2020, plaintiffs held daily protests in front of the Mayor's Mansion, calling on then president-elect Joe Biden not to appoint Mayor Garcetti to his cabinet in light of the Mayor's policies on homelessness and transportation. LAPD personnel were present at all daily protests, but took no actions against any protester until December 6, 2020. Plaintiffs claim that on December 6, 2020, premised on an alleged violation of a municipal noise ordinance, LAPD officers unlawfully attempted to disperse a crowd (prior to giving a dispersal order) using batons in a manner inconsistent with their use of force policy with respect to batons, resulting in head strikes and other serious injuries. Plaintiffs further claim that LAPD has a pattern and practice of such constitutionally unlawful and excessive uses of force. One person was arrested on that date. In the event of an adverse ruling, liability could be approximately \$15 million.

In addition to the cases listed above, the following lawsuit has been filed challenging the City's actions relative to freezing OPEB Benefits for sworn employees. See "BUDGET AND FINANCIAL OPERATIONS—Retirement and Pension Systems—Fire and Police Pension Plan," above.

1. *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.*

In this case plaintiffs seek a judgment declaring that their letter of agreement with the City requires the Board of Fire and Police Pension Commissioners (the "Board") to increase the retirees' medical subsidy by the maximum amount allowable per year under the Administrative Code. The City prevailed on a demurrer, but the Court of Appeal reversed and issued a remitter, sending the case back to the trial court to resolve disputed factual issues. A bench trial occurred from September 26 to September 28, 2016. Following the bench trial, the court issued a tentative decision in favor of the plaintiffs. In November 2016, the trial court ruled in favor of the plaintiffs' claim with respect to the medical subsidy. The City appealed the trial court ruling. On October 30, 2018, the appellate court reversed the trial court and ordered that the case be remanded for a new trial.

On August 10, 2017, the Los Angeles Police Protective League filed an additional lawsuit against the Board and the City in Los Angeles County Superior Court. The complaint, as supplemented, alleges that the Board should have raised the retiree subsidy to the maximum amount of 7 percent for the fiscal year beginning July 1, 2017 rather than the 6 percent then awarded and for the fiscal years thereafter. This case has been consolidated with the case discussed above. In October 2021, the court conducted a three day trial. On May 2, 2022, the court ruled that the letter of agreement did not require the City (through the Board) to grant the unions the maximum possible increase in the retiree medical subsidy. Rather, the Board retained the discretion on the amount of any increase. The case will now proceed as to whether the Board abused its discretion in the years it did not grant the maximum possible increase.

PART 2: HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION

Introduction

The City of Los Angeles is the second most populous city in the United States, with an estimated 2021 population of 3.92 million. Los Angeles is the principal city, comprised of 470 square miles, of a metropolitan region stretching from the City of Ventura to the north, the City of San Clemente to the south, the City of San Bernardino to the east, and the Pacific Ocean to the west.

The economic and demographic information below is provided as general background. Although it has been collected from sources that the City considers to be reliable, the City has made no independent verification of the information provided by non-City sources and the City takes no responsibility for the completeness or accuracy thereof. The current state of the economy of the City, State of California and the United States of America may not be reflected in the data discussed below, because more up-to-date information is not publicly available. In particular, the impact of the COVID-19 pandemic on the local economy and workforce may not be fully reflected in the information within.

History

Founded in 1781, Los Angeles was for its first century a provincial outpost under successive Spanish, Mexican and American rule. Incorporated in 1850 under the provisions of a City Charter, the City experienced a population boom following its linkage by rail with San Francisco in 1876. Los Angeles was selected as the Southern California rail terminus because its natural harbor seemed to offer little challenge to San Francisco, home of the railroad barons. But what the region lacked in commerce and industry, it made up in temperate climate and available real estate, and soon tens and then hundreds of thousands of people living in the Northeastern and Midwestern United States migrated to new homes in the region. Agricultural and oil production, followed by the creation of a deep-water port, the opening of the Panama Canal, and the completion of the City-financed Owens Valley Aqueduct to provide additional water, all contributed to an expanding economic base. The City's population climbed to 50,000 persons in 1890, and had swelled to 1.5 million persons by 1940. During this same period, the automobile became the principal mode of American transportation, and the City developed as the first major city of the automotive age. Following World War II, the City became the focus of a new wave of migration, with its population reaching 2.4 million persons by 1960.

The City and its surrounding metropolitan region continued to experience growth in population and in economic diversity. The City's 470 square miles contain 11.5 percent of the area of the County of Los Angeles, California (the "County") and approximately 39 percent of the population of the County. Tourism and hospitality, professional and business services, direct international trade, entertainment (including motion picture, television and digital media production), and wholesale trade and logistics all contribute significantly to local employment. Emerging industries are largely technology driven, and include biomedical technology, digital information technology, environmental technology and aerospace. The County is a top-ranked county in manufacturing in the nation. Important manufacturing components of local industry include apparel, computer and electronic components, transportation equipment, fabricated metal, and food processing. Fueled by trade with the Pacific Rim countries, the Ports of Los Angeles and

Long Beach combined are the busiest container ports in the nation. As home to the film, television and recording industries, as well as important cultural facilities, the City serves as a principal global cultural center.

Population

The table below summarizes City, County, and State population, estimated as of January 1 of each year.

Table 54
CITY, COUNTY AND STATE POPULATION STATISTICS

	City of <u>Los Angeles</u>	Annual <u>Growth Rate</u> ⁽¹⁾	County of <u>Los Angeles</u>	Annual <u>Growth Rate</u> ⁽¹⁾	State of <u>California</u>	Annual <u>Growth Rate</u> ⁽¹⁾
2000	3,694,742	-	9,519,330	-	33,873,086	-
2005 ⁽¹⁾	3,769,131	0.40%	9,816,153	0.62%	35,869,173	1.18%
2010 ⁽¹⁾	3,792,621	0.12	9,818,605	0.00	37,253,956	0.77
2015 ⁽¹⁾	3,938,939	0.77	10,124,800	0.62	38,865,532	0.87
2020 ⁽¹⁾	3,896,077	(0.22)	10,014,009	(0.22)	39,538,223	(0.35)
2021	3,853,323	(1.10)	9,931,338	(0.83)	39,303,157	(0.59)
2022	3,819,538	(0.88)	9,861,224	(0.71)	39,185,605	(0.30)

⁽¹⁾ For five-year time series, figures represent average annual growth rate for each of the five years.

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark. Sacramento, California, May 2, 2022. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-22, with 2020 Census Benchmark. Sacramento, California, May 2, 2022.

Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the City and the County, based on the annual “benchmark,” an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records. The “benchmark” data is typically released in March for the prior calendar year.

Table 55
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF RESIDENT LABOR FORCE⁽¹⁾

<u>Civilian Labor Force</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City of Los Angeles					
Employed	1,969,500	1,984,800	2,009,100	1,789,500	1,868,800
Unemployed	<u>100,000</u>	<u>96,100</u>	<u>93,000</u>	<u>252,800</u>	<u>181,600</u>
Total	2,069,500	2,081,000	2,102,100	2,042,300	2,050,400
County of Los Angeles					
Employed	4,864,100	4,885,300	4,926,100	4,355,900	4,548,900
Unemployed	<u>245,700</u>	<u>235,900</u>	<u>227,000</u>	<u>613,000</u>	<u>445,200</u>
Total	5,109,800	5,121,200	5,153,100	4,968,900	4,994,100
<u>Unemployment Rates</u>					
City	4.8%	4.6%	4.4%	12.4%	8.9%
County	4.8%	4.6%	4.4%	12.3%	8.9%
State	4.8%	4.3%	4.1%	10.2%	7.3%
United States	4.4%	3.9%	3.7%	8.1%	5.3%

⁽¹⁾ March 2021 Benchmark report as of March 25, 2022; not seasonally adjusted.

Note: Based on surveys distributed to households; not directly comparable to Industry Employment data reported in the table below.

Sources: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S.

The COVID-19 pandemic caused an unprecedented loss of jobs and an increase in unemployment. Unemployment for the City for April 2020 was 20.7 percent, increased from 5.5 percent in March (not seasonally adjusted). The previous high in unemployment was 12.3 percent at the height of the Great Recession in 2010. The California Employment Development Department has reported preliminary unemployment figures for March 2022 of 4.2 percent statewide, 4.9 percent for the County, and 5.0 percent for the City (not seasonally adjusted).

The following table summarizes the California Employment Development Department’s estimated annual employment for the County as of March 2020 (prior to the pandemic), which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment-in-kind, or piece rates. Separate figures for the City are not maintained. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

Table 56
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE⁽¹⁾

	County of Los Angeles <u>2021</u>	% of <u>Total</u>	State of California <u>2021</u>	% of <u>Total</u>
Agricultural	4,600	0.1%	407,500	2.3%
Mining and Logging	1,600	0.0	19,000	0.1
Construction	149,800	3.5	880,300	5.1
Manufacturing	311,700	7.3	1,273,200	7.4
Trade, Transportation and Utilities	817,600	19.0	3,031,700	17.7
Information	213,200	5.0	566,500	3.3
Financial Activities	210,800	4.9	823,100	4.8
Professional and Business Services	629,500	14.6	2,702,100	15.8
Educational and Health Services	839,600	19.5	2,809,100	16.4
Leisure and Hospitality	429,300	10.0	1,632,600	9.5
Other Services	134,100	3.1	500,700	2.9
Government	<u>558,200</u>	13.0	<u>2,469,200</u>	14.4
Total ⁽²⁾	4,300,000		17,115,600	

⁽¹⁾ The California Employment Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.

⁽²⁾ May not add due to rounding.

Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table 55.

Source: California Employment Development Department, Labor Market Information Division. Based on March 2021 Benchmark report released March 25, 2022.

Major Employers

The estimated top 25 major non-governmental employers in the County in 2021 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major non-governmental employers represented 7.5 percent of the labor force.

Table 57
LOS ANGELES COUNTY
2021 MAJOR NON-GOVERNMENTAL EMPLOYERS

<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
Kaiser Permanente	Nonprofit health care plan	40,876
University of Southern California	Private university	22,465
Target Corp.	Retailer	20,000 ⁽¹⁾
Northrop Grumman Corp.	Defense contractor	18,000 ⁽¹⁾
Cedars-Sinai	Health system	16,309
Amazon	Online retailer	16,200 ⁽¹⁾
Allied Universal	Security professionals	15,326
Providence	Health care	14,935
Ralphs/Food 4 Less – Kroger Co.	Grocery retailer	14,585
Walt Disney Co.	Media and entertainment	12,200 ⁽¹⁾
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	12,005 ⁽¹⁾
UPS	Logistics, transportation and freight	11,643 ⁽¹⁾
Home Depot	Home improvement specialty retailer	11,200 ⁽¹⁾
NBCUniversal	Media and entertainment	11,000 ⁽¹⁾
AT&T	Telecommunications, DirecTV, cable, satellite and television provider	10,500 ⁽¹⁾
Albertsons Cos.	Grocery retailer	9,700 ⁽¹⁾
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,988
Edison International	Electric utility, energy services	7,672
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	7,400 ⁽¹⁾
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	7,143
Wells Fargo & Co.	Diversified financial services	7,075 ⁽¹⁾
FedEx Corp.	Shipping and logistics	6,750 ⁽¹⁾
Children’s Hospital Los Angeles	Hospital	6,405
Raytheon Intelligence & Space	Advanced sensors, training cyber and software solutions	6,133
Dignity Health	Health care	6,118

⁽¹⁾ Business Journal estimate.

Source: Los Angeles Business Journal, Weekly Lists, originally published October 11, 2021.

The estimated top 25 major governmental employers in the County in 2021 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major governmental employers represented 9.8 percent of the labor force.

Table 58
LOS ANGELES COUNTY
2021 LARGEST PUBLIC SECTOR EMPLOYERS

<u>Employers</u>	<u>Employees</u>
Los Angeles County	111,800
Los Angeles Unified School District	75,676
Federal Executive Board ⁽¹⁾	50,000
University of California, Los Angeles	46,130
City of Los Angeles ⁽²⁾	32,500
State of California ⁽³⁾	29,100
Long Beach Unified School District	11,267
Los Angeles County Metropolitan Transportation Authority	9,115
Los Angeles Department of Water and Power	8,770
Los Angeles Community College District	6,623
City of Long Beach	4,700
Cal State Northridge	3,933
Los Angeles World Airports	3,050
Pomona Unified School District	2,840
Cal Poly Pomona	2,675
Cal State Los Angeles	2,644
Cal State Long Beach	2,615
Montebello Unified School District	2,320
Mt. San Antonio Community College District	2,021
Compton Unified School District	1,992
City of Glendale	1,980
City of Santa Monica	1,900
William S. Hart Union High School District	1,900
City of Pasadena	1,795
Santa Monica Community College District	1,768

⁽¹⁾ Excludes law enforcement and judiciary employees.

⁽²⁾ Excludes proprietary departments (LADWP, LAWA, Port of L.A.).

⁽³⁾ Excludes education employees.

Source: Los Angeles Business Journal, Weekly Lists, originally published October 11, 2021.

Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of “net earnings,” rental income, dividend income, interest income, and transfer receipts. “Net earnings” is defined as wages and salaries, supplements to wages and salaries, and proprietors’ income, less contributions for government social insurance, before deduction of personal income and other taxes.

The following table summarizes the latest available estimate of personal income for the County, State and United States; equivalent data is not available for the City.

Table 59 COUNTY, STATE AND U.S. PERSONAL INCOME		
Year and Area	Personal Income (thousands of dollars)	Per Capita Personal Income ⁽¹⁾ (dollars)
2017		
County ⁽²⁾	\$ 580,826,819	\$57,551
State ⁽³⁾	2,318,644,417	58,942
United States ⁽³⁾	16,845,028,000	51,811
2018		
County ⁽²⁾	\$ 602,428,812	\$59,874
State	2,431,821,953	61,663
United States ⁽³⁾	17,681,159,000	54,098
2019		
County ⁽²⁾	\$ 631,161,849	\$63,043
State ⁽³⁾	2,544,234,978	64,513
United States ⁽³⁾	18,402,004,000	56,047
2020		
County ⁽²⁾	\$ 678,829,092	\$68,272
State ⁽³⁾	2,763,311,977	70,192
United States ⁽³⁾	19,607,447,000	59,510
2021		
County	N/A	N/A
State ⁽³⁾	\$ 2,997,205,600	\$76,386
United States ⁽³⁾	21,056,621,900	63,444

⁽¹⁾ Per capita personal income was computed using Census Bureau midyear population estimates. Per capita personal income is total personal income divided by total midyear population. Estimates for 2010-2020 reflect county population estimates available as of March 2021. These population estimates are based on the 2010 census. BEA will incorporate Census Bureau midyear population estimates based on the 2020 census results when they become available.

⁽²⁾ Last updated: November 16, 2021 – new statistics for 2020; revised statistics for 2016 – 2019.

⁽³⁾ Last updated: March 23, 2022 – preliminary statistics for 2021; revised statistics for 2017 – 2020.

Source: U.S. Bureau of Economic Analysis, “Table SAINC1: Personal Income Summary” and “Table CAINC1: Personal Income Summary” (accessed March 23, 2022).

Retail Sales

As the largest city in the County, the City accounted for \$50.7 billion (or 26 percent) of the total \$192.3 billion in County taxable sales for 2021. The following table sets forth a history of taxable sales for the City for calendar years 2017 through 2021.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Motor Vehicle and Parts Dealers	\$ 4,622,056	\$4,953,943	\$4,920,618	\$4,585,480	\$5,925,390
Home Furnishings and Appliance Stores	1,961,481	1,994,456	1,879,295	1,523,470	2,023,270
Bldg. Materials and Garden Equip. and Supplies	2,473,704	2,604,997	2,633,786	2,774,916	3,039,402
Food and Beverage Stores	2,909,253	2,965,281	3,003,306	3,045,666	3,150,173
Gasoline Stations	3,973,137	4,577,433	4,634,896	2,903,295	4,467,297
Clothing and Clothing Accessories Stores	3,211,811	3,358,528	3,392,114	2,302,122	3,619,613
General Merchandise Stores	2,858,495	2,901,449	2,908,563	2,494,747	3,035,960
Food Services and Drinking Places	9,273,985	9,704,572	10,214,928	6,320,584	8,864,459
Other Retail Group	<u>4,292,007</u>	<u>4,582,036</u>	<u>4,686,277</u>	<u>4,462,925</u>	<u>5,279,104</u>
Total Retail and Food Services	35,575,932	37,642,695	38,273,783	30,413,205	39,404,668
All Other Outlets	<u>11,140,929</u>	<u>11,862,801</u>	<u>11,900,668</u>	<u>9,241,031</u>	<u>11,269,071</u>
TOTAL ALL OUTLETS	\$46,716,861	\$49,505,496	\$50,174,451	\$39,654,236	\$50,673,739
Year-over-year growth	3.4%	6.05%	1.4%	(21.0%)	27.8%

Source: California Department of Tax and Fee Administration, Research and Statistics.

Land Use

The following table, derived from data maintained by the Los Angeles County Assessor, indicates various land uses within the City based on assessed valuation and the number of parcels.

Table 61
CITY OF LOS ANGELES
ASSESSED VALUATION AND PARCELS BY LAND USE

	2021-22 <u>Assessed Valuation⁽¹⁾</u>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential				
Commercial Office	\$ 99,479,806,013	14.18%	26,214	3.36%
Vacant Commercial	2,411,441,436	0.34	1,329	0.17
Industrial	45,798,520,681	6.53	17,694	2.27
Vacant Industrial	1,952,747,009	0.28	4,115	0.53
Recreational	2,697,996,471	0.38	790	0.10
Government/Social/Institutional	4,025,036,089	0.57	3,701	0.47
Miscellaneous	<u>376,223,984</u>	<u>0.05</u>	<u>1,803</u>	<u>0.23</u>
Subtotal Non-Residential	\$156,741,771,683	22.35%	55,646	7.13%
Residential				
Single Family Residence	\$374,334,075,716	53.37%	503,701	64.50%
Condominium/Townhouse	45,834,858,933	6.53	89,666	11.48
Mobile Homes and Lots	174,681,616	0.02	3,450	0.44
Mobile Home Park	245,888,787	0.04	93	0.01
2-4 Residential Units	36,796,040,685	5.25	74,932	9.59
5+ Residential Units/Apartments	84,025,603,719	11.98	35,512	4.55
Vacant Residential	<u>3,301,184,220</u>	<u>0.47</u>	<u>17,984</u>	<u>2.30</u>
Subtotal Residential	\$544,712,333,676	77.65%	725,338	92.87%
Total	\$701,454,105,359	100.00%	780,984	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Residential Value and Construction Activity

The following table indicates the array of assessed valuation for single-family residential properties in the City.

Table 62
CITY OF LOS ANGELES
PER PARCEL ASSESSED VALUATION OF SINGLE-FAMILY RESIDENTIAL PROPERTIES

Single Family Residential Properties	No. of Parcels	2021-22 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
	503,701	\$374,334,075,716	\$743,167	\$409,411

2021-22 Assessed Valuation	No. of Residential Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	6,435	1.278%	0.178%	\$ 225,186,390	0.060%	0.060%
\$50,000 - \$99,999	15,478	3.073	4.350	1,163,094,310	0.311	0.371
\$100,000 - \$149,999	17,847	3.543	7.894	2,234,658,564	0.597	0.968
\$150,000 - \$199,999	28,872	5.732	13.626	5,087,361,888	1.359	2.327
\$200,000 - \$249,999	36,916	7.329	20.954	8,308,388,792	2.220	4.546
\$250,000 - \$299,999	43,021	8.541	29.495	11,810,210,962	3.155	7.701
\$300,000 - \$349,999	50,184	9.963	39.459	16,303,175,712	4.355	12.057
\$350,000 - \$399,999	49,281	9.784	49.242	18,470,666,643	4.934	16.991
\$400,000 - \$449,999	26,509	5.263	54.505	11,260,599,056	3.008	19.999
\$450,000 - \$499,999	28,936	5.745	60.250	13,736,960,896	3.670	23.669
\$500,000 - \$549,999	28,655	5.689	65.939	15,034,447,505	4.016	27.685
\$550,000 - \$599,999	26,816	5.324	71.263	15,404,531,648	4.115	31.800
\$600,000 - \$649,999	19,684	3.908	75.170	12,290,709,284	3.283	35.084
\$650,000 - \$699,999	15,329	3.043	78.214	10,331,929,948	2.760	37.844
\$700,000 - \$749,999	12,841	2.549	80.763	9,299,593,451	2.484	40.328
\$750,000 - \$799,999	11,916	2.366	83.129	9,222,161,796	2.464	42.792
\$800,000 - \$849,999	10,053	1.996	85.125	8,285,370,957	2.213	45.005
\$850,000 - \$899,999	8,677	1.723	86.847	7,582,561,313	2.026	47.031
\$900,000 - \$949,999	7,389	1.467	88.314	6,826,926,159	1.824	48.854
\$950,000 - \$999,999	6,354	1.261	89.576	6,191,038,962	1.654	50.508
\$1,000,000 and greater	<u>52,508</u>	<u>10.424</u>	100.000	<u>185,264,501,480</u>	<u>49.492</u>	100.000
Total	503,701	100.000%		\$374,334,075,716	100.000%	

⁽¹⁾ Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

The table below provides a summary of building permits issued by the City by calendar year.

Table 63
CITY OF LOS ANGELES
RESIDENTIAL BUILDING PERMIT VALUATIONS AND NEW UNITS

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Valuation ⁽¹⁾	\$7,924	\$8,654	\$8,520	\$6,285	\$6,091
Residential ⁽²⁾	3,522	3,940	3,437	2,930	2,743
Non-Residential ⁽³⁾	1,197	1,256	1,091	1,187	871
Miscellaneous Residential ⁽⁴⁾	134	180	173	129	232
Miscellaneous Non-Residential ⁽⁵⁾	87	40	146	46	18
Number of Residential Units:					
Single family ⁽⁶⁾	3,148	3,598	3,739	2,685	3,122
Multi-family ⁽⁷⁾	<u>10,984</u>	<u>12,659</u>	<u>10,693</u>	<u>9,171</u>	<u>10,898</u>
Subtotal Residential Units	14,132	16,257	14,432	11,856	14,020
Number of Non-Residential Units ⁽⁸⁾	630	12	1	0	512
Miscellaneous Residential Units ⁽⁹⁾	4,701	4,614	5,014	3,017	4,664
Miscellaneous Non-Residential Units ⁽¹⁰⁾	100	493	475	257	480
Total Units	19,563	21,376	19,922	15,130	19,676

- (1) In millions of dollars. "Valuation" represents the total valuation of all construction work for which the building permit is issued.
- (2) Valuation of permits issued for Single-Family Dwellings, Duplexes, Apartment Buildings, Hotel/Motels, and Condominiums.
- (3) Valuation of permits issued for Special Permits, Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures, Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence, Foundation Only, Grade – Non-Hillside, Certificates of Occupancy – Use of Land, Grading – Hillside.
- (4) Valuation of permits issued for "Additions Creating New Units – Residential" and "Alterations Creating New Units – Residential."
- (5) Valuation of permits issued for "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."
- (6) Number of dwelling units permitted for Single-Family Dwellings and Duplexes.
- (7) Number of dwelling units permitted for new Apartment Buildings, Hotel/Motels, and Condominiums.
- (8) Number of dwelling units permitted for Airport Buildings, Amusement Buildings, Churches, Private Garages, Public Garages, Gasoline Service Stations, Hospitals, Manufacturing Buildings, Office Buildings, Public Administration Buildings, Public Utilities Buildings, Retail Stores, Restaurants, School Buildings, Signs, Private Swimming Pools, Theater Buildings, Warehouses, Miscellaneous Buildings/Structures Prefabricated Houses, Solar Heaters, Temporary Structures, Artists-in-Residence.
- (9) Number of dwelling units added includes "Addition Creating New Units – Residential" and "Alterations Creating New Units – Residential."
- (10) Number of dwelling units added includes "Additions Creating New Units – Commercial" and "Alterations Creating New Units – Commercial."

Source: City of Los Angeles, Department of Building and Safety.

Education

The Los Angeles Unified School District ("LAUSD"), a separate government agency and one of the largest employers in the City, administers public instruction for kindergarten through 12th grade ("K-12"), adult, and occupational schools in the City and all or significant portions of a number of smaller neighboring cities and unincorporated areas. The LAUSD, which now encompasses approximately 710 square miles (making it significantly larger than the City at 470 square miles), was formed in 1854 as the Common Schools for the City of Los Angeles and became a unified school district in 1960. The LAUSD is governed by a seven-member Board of Education, elected by the district to serve alternating four-year terms. There are also a number of charter and private K-12 schools located in the City.

There are many public and private colleges and universities located in the City. Major colleges and universities located within the City include the University of California at Los Angeles, the University of Southern California, California State University at Los Angeles, California State University at Northridge, Occidental College and Loyola Marymount University. There are seven community colleges located within the City operated by the Los Angeles Community College District.

Exhibit C – Costs of Issuance Agreement

\$[_____]
CITY OF LOS ANGELES, CALIFORNIA
2022 TAX AND REVENUE ANTICIPATION NOTES

COSTS OF ISSUANCE AGREEMENT

This Costs of Issuance Agreement (the “Agreement”) dated July 1, 2022 has been entered into by and between the City of Los Angeles (the “City”) and Zions Bancorporation, National Association (the “Custodian”). The City has requested the Custodian to act as disbursing agent for the payment of costs of issuance for the \$[_____] City of Los Angeles, California 2022 Tax and Revenue Anticipation Notes (the “Notes”). This Agreement sets out the terms and conditions of said appointment.

The City and the Custodian agree as follows:

1. The Custodian has received \$[_____] from Citigroup Global Markets Inc., on behalf of the City and has deposited the funds in account number #[_____] (the “Costs of Issuance Fund”) established with the Custodian in the name of the Notes (the “Deposit”).
2. The Custodian will hold funds uninvested pending receipt of written requests of the City and invoices for payments. The names, titles and specimen signatures of the authorized officers of the City (the “Authorized Officers”) are contained in Exhibit A attached hereto. The Schedule of Costs is set forth in Exhibit B attached hereto.
3. Any funds remaining in the Costs of Issuance Fund after June 1, 2023, or upon earlier receipt of a written certificate signed by an Authorized Officer indicating that all costs to be paid from the Costs of Issuance Fund have been paid, shall be disbursed to the City for deposit into the Note Proceeds Fund of the City, as defined in the Resolution adopted on June [___], 2022, by the Council of the City of Los Angeles (the “City Council”) in connection with the Notes, in accordance with the following wire instructions:

Bank: JP Morgan Chase Bank, N.A.
Bank Address: JP Morgan Chase, New York NY 10004
ABA: 021000021
Account Name: City of Los Angeles Treasurer General Depository
[Account Number: _____]
Ref Info: 2022 TRAN Proceeds (Fund No. 121)

4. The Custodian will receive a one-time fee of \$500, payable out of the Deposit, as compensation for services hereunder.
5. This Agreement will terminate on the date all funds have been disbursed or on June 1, 2023, whichever comes first. Any remaining balance will be disbursed in accordance with Paragraph 3 above.

6. Miscellaneous:

(a) The liability of the Custodian is expressly limited to the duties listed above. These duties shall be deemed purely ministerial in nature, and the Custodian shall not be liable except for the performance of such duties, and no implied covenants or obligations shall be read into this Agreement against the Custodian. The Custodian or any of its officers, employees or agents shall not be liable for any acts or omissions, except for the Custodian's own negligence or willful misconduct. Nothing in this Agreement shall require the Custodian to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder. The Custodian shall be entitled to rely on and shall not be liable for any action taken or omitted to be taken by the Custodian in accordance with the advice of counsel or other professionals retained or consulted by the Custodian. The Custodian may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties, not only as to due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein. The Custodian shall be entitled to request and receive written instructions from the City and shall have no responsibility or liability for any losses or damages of any nature that may arise from any action taken or not taken by the Custodian in accordance with the written direction of City.

(b) In no event shall the Custodian be responsible or liable for special, indirect, punitive, incidental or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Custodian has been advised of the likelihood of such loss or damage and regardless of the form of action. The Custodian shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "*force majeure*" means an occurrence that is beyond the control of the Custodian and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(c) Notwithstanding the foregoing or anything in this Agreement, the protections provided the Custodian shall not apply in the event of any actions arising from the negligence or willful misconduct of the Custodian.

(d) The rights and obligations of the parties shall be governed by, and this Agreement shall be interpreted, construed and enforced in accordance with, the laws of the State of California, excluding its conflict of laws rules to the extent such rules would apply the law of another jurisdiction. The parties hereby (i) irrevocably submit to the exclusive jurisdiction of any federal or state court sitting in the County of Los Angeles, (ii) waive any objection to laying of venue in any such action or proceeding in such courts, and (iii) waive any objection that such courts are an inconvenient forum or do not have jurisdiction over any party.

(e) Any corporation or association into which the Custodian may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer all or substantially all of its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation

or transfer to which the Custodian is a party, will be and become the successor Custodian under this Agreement and will have and succeed to the rights, powers, duties, immunities and privileges as its predecessor, without the execution or filing of any instrument or paper or the performance of any further act.

(f) This Agreement and the exhibits hereto set forth the entire agreement and understanding of the parties related to this transaction and supersedes all prior agreements and understandings, oral or written.

(g) This Agreement may be executed in counterparts, each of which shall be deemed an original.

(h) The parties further agree that facsimile signatures or signatures scanned into Portable Document Format (PDF) (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers and representatives.

CITY OF LOS ANGELES

**ZIONS BANCORPORATION,
NATIONAL ASSOCIATION, as
Custodian**

By: _____
Authorized Officer

By: _____
Jacqueline M. Nowak
Vice President
Zions Bank Division

APPROVED AS TO FORM:
MICHAEL N. FEUER, CITY ATTORNEY

By: _____
Deputy City Attorney

[Signature Page to Costs of Issuance Agreement]

Exhibit A

Titles of Authorized Officers and Specimen Signatures

Benjamin Ceja
Assistant City Administrative Officer

Ha To
Chief of Debt Management

Exhibit B
Schedule of Costs*

*To be paid in accordance with instructions in the respective invoices attached.

Exhibit D – List of Borrowable Special Revenue Funds

City of Los Angeles
Estimated Cash Balances - Interfund Borrowing Funds
As of October 31, 2022
(In Millions)

Fund No.	Fund Name	Estimated Available Cash
300	Library	\$ 40.1
301	Municipal Sports Accounts	30.1
302	Recreation & Parks	314.3
342	Telecom Liq Damage & Lost Fr Fees	32.1
363	Special Parking Revenue	64.8
43K	Proposition K Projects	104.6
48R	Building & Safety Permit Enterprise	282.1
53P	State AB1290	85.9
556	Intergrated Solid Waste Management	36.6
58V	Development Sevices Trust	48.3
59V	Road Maintenance and Rehabilitation Program	195.8
59T	City of Los Angeles Housing Impact	79.2
655	Transportation Grants Fund	41.4
682	Engineering Special Service	54.4
834	Public Work Trust	113.4
	Total	<u>\$ 1,523.1</u>
