

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: May 31, 2023

CAO File No. 0220-05291-1363

Council File No.

Council District: ALL

To: The Mayor  
The Council

From: Matthew W. Szabo, City Administrative Officer



Reference: 2023-24 Adopted Budget

Subject: **ISSUANCE AND SALE OF 2023 TAX AND REVENUE ANTICIPATION NOTES (TRAN) FOR FISCAL YEAR 2023-24 IN AN AGGREGATE AMOUNT NOT TO EXCEED \$1.7 BILLION AND INTERFUND BORROWING TO MEET GENERAL FUND CASH FLOW NEEDS**

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### RECOMMENDATIONS

That the Council:

1. Adopt the attached Authorizing Resolution, with related documents, authorizing the issuance and sale of the 2023 Tax and Revenue Anticipation Notes in an aggregate principal amount not to exceed \$1.7 billion; and

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

2. Resolve to authorize and direct the Controller and the Treasurer to make temporary transfers, as necessary to provide funds for meeting obligations of the City, from the attached list of funds (Attachment B) during Fiscal Year 2023-24, 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 \$250 million.

### SUMMARY

In accordance with the 2023-24 Adopted Budget (C.F. 23-0600), the City Administrative Officer (CAO) requests authority to issue up to \$1.7 billion of Tax and Revenue Anticipation Notes (TRAN) to provide cash flow management for revenues and expenditures of the City's General Fund for Fiscal Year 2023-24, including the City's 2023-24 annual contribution payments to the Los Angeles City Employees' Retirement System (LACERS) and the Los Angeles Fire and Police Pension Plan (LAFPP), which is necessitated due to certain taxes and revenues being received later in the fiscal year.

The estimated 2023-24 annual contributions to LACERS and LAFPP are \$675.8 million and

\$637.3 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, which totals \$43.4 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, 2023 compared to paying on a bi-weekly basis throughout the fiscal year.

The Controller has requested up to \$450 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 2023-24 (2.91 percent). As of May 22nd, short-term interest rates on a 12-month municipal note were at 3.35 percent. Actual interest rates at the time of issuance may differ as rates are dependent on market conditions. 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 \$250 million from special revenue funds to assist with cash flow management. This Office supports the Controller's request and recommends that the City issue \$200 million in notes through the TRAN financing and borrow the remaining \$250 million from special revenue funds in accordance with Charter Section 340(b), which allows the Treasurer and Controller, when authorized and directed by the Council, to make temporary transfers from the special revenue funds of the City to provide funds to meet the City's obligations. 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 (Attachment B).

Assuming the Council approves the special revenue fund borrowing of \$250 million for cash flow management, the CAO anticipates a note issuance size of approximately \$1.49 billion. Based on current market conditions, total debt service will be approximately \$1.56 billion, to be repaid in June 2024 from collected General Fund revenues and taxes set aside during the fiscal year. The total estimated interest cost of the TRAN is \$71.7 million. The interest cost is offset by additional premium proceeds, LACERS and LAFPP discounts, and interest income. Therefore, the issuance of the TRAN is expected to result in a net savings of approximately \$6.1 million to the General Fund. The request for a not-to-exceed amount of \$1.7 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 \$450 million needed for cash flow management.

Given the large note issuance size and market volatility caused by the U.S. regional banking crisis, uncertainty regarding June and July Federal Reserve interest rate actions and the debt ceiling negotiations, and mixed economic indicators, a negotiated sale gives the City the ability to pre-market its TRANs and the ability to adjust the timing of the sale if needed, with the goal of receiving the lowest true interest cost. The sale date is expected to occur during the fourth week of June. The CAO recommends selling the notes on a negotiated basis by four underwriting firms selected from the approved qualified list of underwriters (C.F. 22-0195): UBS Financial Services Inc. as senior manager, BofA Securities, Inc. as co-senior manager, and Academy Securities, Inc. (Disabled Veteran Business Enterprise and Minority Business Enterprise (MBE)) and Siebert Williams Shank & Co., LLC (MBE and Women-owned Business Enterprise) as

co-managers (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 Council must adopt the Authorizing Resolution (Attachment A), which provides for the issuance and sale of the TRAN in an aggregate principal amount not to exceed \$1.7 billion and certain other matters relating to the TRAN.

### **FISCAL IMPACT STATEMENT**

The proposed 2023 Tax and Revenues Anticipation Notes financing is expected to result in estimated net savings of \$6.1 million to the General Fund. The estimated total debt service cost is \$1.56 billion, which the City will repay from collected General Fund revenues and taxes. There is no expected additional fiscal impact as the 2023-24 Adopted Budget includes sufficient funding for the repayment of the notes and the interest on special revenue fund borrowing. The estimated savings and interest costs may differ as actual interest rates are dependent on market conditions at the time of issuance.

### **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 Tax and Revenue Anticipation Notes (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 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 2023-24 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 \$699.2 million. The City receives a discount for paying the contribution in whole at the beginning of the fiscal year, reducing the payment to \$675.8 million and resulting in savings of \$23.4 million.

### **Los Angeles Fire and Police Pension Plan (LAFPP) Portion**

The 2023-24 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 \$657.3 million. The City receives a discount for paying the contribution in whole at the beginning of the fiscal year, reducing the contribution to \$637.3 million and resulting in savings of \$20.0 million.

### **Cash Flow Portion**

The Controller has requested up to \$450 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 its General Fund receipts 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 2023-24 (2.91 percent). As of May 22nd, short-term interest rates on a 12-month municipal note were at 3.35 percent. Actual interest rates at the time of issuance may differ as rates are dependent on market conditions. Based on its review of the estimated available cash balances of the City's special revenue funds, the Controller requests that the City borrow \$250 million from special revenue funds to assist with cash flow management. This Office supports the Controller's request and recommends that the City issue \$200 million in notes through the TRAN financing and borrow the remaining \$250 million from special revenue funds in accordance with Charter Section 340(b), which allows the Treasurer and Controller, when authorized and directed by the Council, to make temporary transfers from the special revenues 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 Controller has provided a list of special revenue funds from which it anticipates the City can borrow to address short-term cash flow deficits (Attachment B). The Controller anticipates initiating

the internal borrowing in October 2023 and repaying the special revenue funds by December 2023. 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 operations of the special revenue 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 Council transfer appropriations from the TRAN Debt Service Fund to pay for interest costs attributed to the internal borrowing discussed above. The 2023-24 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. The estimated interest costs may differ as actual interest rates are dependent on market conditions at the time of issuance.

## Financing Team

The financing team is comprised of Montague DeRose & Associates, LLC as municipal advisors, Nixon Peabody LLP as note counsel, and Stradling Yocca Carlson & Rauth, as disclosure counsel. The underwriting team is comprised of UBS Financial Services Inc. as senior manager, BofA Securities, Inc. as co-senior manager, and Academy Securities, Inc. (Disabled Veteran Business Enterprise and Minority Business Enterprise (MBE)) and Siebert Williams Shank & Co., LLC (MBE and Women-Owned Business Enterprise) as co-managers. The Mayor and Council previously approved the financing team members on qualified lists (C.F. 19-0355, C.F. 22-0248, and C.F. 22-0195).

## 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 obtained from Montague DeRose and Associates, LLC, the City's municipal advisor, 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 notes ("Cost of Issuance")
- Amount of proceeds received from the sale of the notes ("Total Par")
- Total payment ("Total Debt Service")

Series	TIC	Cost of Issuance	Total Par	Total Debt Service*
2023 TRAN	3.36%	\$ 871,876.25	\$ 1,491,075,000.00	\$ 1,562,729,437.50

\*The 2023-24 Adopted Budget includes an appropriation of \$1,373,059,172 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 for TRAN Issuance**

To proceed with the issuance of the TRAN, the 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 principal amount not to exceed \$1.7 billion. The following documents have been attached for authorization and approval 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 B);
- Preliminary Official Statement, including Appendix A, the City's Information Statement, which is the primary disclosure and marketing document for the TRAN (Exhibit C); and
- Costs of Issuance Agreement, which is an agreement between the City and the custodian to provide for the administration of the note proceeds to pay costs of issuance (Exhibit D).

*MWS:AG:09230160*

## **Attachments**

### **Attachment A – Authorizing Resolution**

Exhibit A – Form of Note, which represents a form of the note being issued with such maturity dates and additional terms and amounts as necessary

Exhibit B – Note Purchase Contract

Exhibit C – Preliminary Official Statement, including Appendix A

Exhibit D – Costs of Issuance Agreement

Attachment B – 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 2023-24 AND AUTHORIZING THE ISSUANCE AND  
SALE OF NOT TO EXCEED \$1,700,000,000 OF 2023 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, investment and reinvestment, 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 \$1,700,000,000 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 2023-24; 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 2023-24 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 \$1,700,000,000, 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 state and federal governments), cash receipts and other moneys of the City for the General Fund attributable to Fiscal Year 2023-24 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 2023-24 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 UBS Financial Services Inc., on behalf of itself, BofA Securities, Inc., Academy Securities, Inc., and Siebert Williams Shank & Co., 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 U.S. Bank Trust Company, 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 UBS Financial Services Inc., BofA Securities, Inc., Academy Securities, Inc., and Siebert Williams Shank & Co., 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 2023-24, 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 \$1,700,000,000 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 2023 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 2023-24 on or after July 1, 2023, 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 and as provided in Section 20 hereof.

**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 2023-24 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, 2024, from the Unrestricted Moneys received or accrued by the City during the Fiscal Year 2023-24, an amount equal to 20% of the total principal and interest due on all of the Notes; (b) not later than February 29, 2024, from the Unrestricted Moneys received or accrued by the City during the Fiscal Year 2023-24, an amount equal to 20% of the total principal and interest due on all of the Notes; (c) not later than March 28, 2024, from the Unrestricted Moneys received or accrued by the City during the Fiscal Year 2023-24, an amount equal to 20% of the total principal and interest due on all of the Notes; (d) not later than April 25, 2024, from the Unrestricted Moneys received or accrued by the City during the Fiscal Year 2023-24, an amount equal to 20% of the total principal and interest due on all of the Notes; and (e) not later than May 24, 2024, from the Unrestricted Moneys received or accrued by the City during Fiscal Year 2023-24, 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 Fiscal Year 2023-24 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 by the City's Statement of Investment Policy and the California Government Code for the investment of moneys in the City's Treasury. Investment earnings on amounts held in the Note Proceeds Fund shall be held in and credited to the Note Proceeds Fund until June 27, 2024, 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 27, 2024 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 2023-24 of a resolution relating thereto, find and determine that additional notes of the City, in an amount in addition to \$1,700,000,000 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. 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 on the Notes or 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 Note 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.

“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](mailto: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 U.S. Bank Trust Company, 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:

HYDEE FELDSTEIN SOTO, City Attorney

By:  \_\_\_\_\_  
Deputy City Attorney

## **Exhibit A – Form of Note**

**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**  
**2023 TAX AND REVENUE ANTICIPATION NOTE**  
**[SERIES \_\_\_\_][TAX-EXEMPT/FEDERALLY TAXABLE]**

<b>INTEREST RATE</b>	<b>NOTE DATE</b>	<b>MATURITY DATE</b>	<b>CUSIP</b>
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July \_\_, 2023

**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 \_\_, 2023 (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 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 2023-24 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, 2023.

CITY OF LOS ANGELES

By \_\_\_\_\_  
City Treasurer

Countersigned:

\_\_\_\_\_  
Deputy City Clerk

## **Exhibit B – Note Purchase Contract**

**CITY OF LOS ANGELES, CALIFORNIA  
2023 TAX AND REVENUE ANTICIPATION NOTES**

**\$(PAR AMOUNT)**

**NOTE PURCHASE CONTRACT**

[SALE DATE]

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 UBS Financial Services Inc., on behalf of itself and as representative (the “Representative”) of the underwriters named on the signature page hereto (hereinafter, collectively called the “Underwriters”), offers to enter into the following note purchase contract (this “Note Purchase Contract”) with the City of Los Angeles (the “City”), which, upon acceptance of this offer 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 11:59 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 2023 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 [net] 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 [POS DATE], relating to the Notes (said preliminary official statement together with the cover page and any and all appendices thereto and including any amendments or supplements 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, as amended

(“Rule 15c2-12”), except for certain information permitted to be omitted by said Rule 15c2-12. The Notes are being offered pursuant to the City’s final official statement (including the cover page and any and all appendices thereto and including any amendments or supplements thereto prior to the Closing (as defined herein) relating to the Notes, dated [OS DATE] (the “Official Statement”). The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12, the City shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Representative (as defined herein). 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 [RESO DATE], 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 Underwriters represent and warrant to the City that they are authorized to take any action under this Note Purchase Contract required to be taken by them, that the Representative is authorized to execute this Note Purchase Contract on behalf of the Underwriters and it has been duly authorized by the Underwriters to act hereunder and, as the representative of the Underwriters, to take all actions, and waive any condition or requirement, required or permitted to be taken or waived hereunder by the Underwriters, and that this Note Purchase Contract is a binding contract of the Underwriters enforceable in accordance with its terms.

## Section 4. Establishment of Issue Price.

(a) The Underwriters agree to make a bona fide public offering of the Notes at a price not in excess of the initial offering price or prices or yields not less than the yields set forth in the Official Statement, which prices may be changed from time to time by the Underwriters after such initial offering.

(b) 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.

(c) [Except as otherwise set forth in Schedule I attached hereto, 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. At or promptly after the execution of this Note Purchase Contract, the

Representative shall report to the City the price or prices at which the Underwriters have sold to the public each maturity of the Notes. [If at that time the 10% test has not been satisfied as to any maturity of the Notes, the Representative agrees to promptly report to the City the prices at which Notes of that maturity have been sold by the Underwriters to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) all Notes of that maturity have been sold or (ii) the 10% test has been satisfied as to the Notes of that maturity, provided that, the Underwriters' reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, the City or Note Counsel.] For purposes of this Section, if Notes mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Notes. [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.]

(d) The Representative confirms that the Underwriters have offered the Notes to the public on or before the date of this Note Purchase Contract at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule I attached hereto, except as otherwise set forth therein, Schedule I also sets forth, as of the date of this Note Purchase Contract, the maturities, if any, of the Notes for which the 10% test has not been satisfied and for which the City and the Representative, on behalf of the Underwriters, agree that 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 Underwriters 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.

(e) 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, whether or not the Closing Date has occurred, 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, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative 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 or dealer 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, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such Underwriter or dealer 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.

(f) The City acknowledges that, in making the representations set forth in this section, 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 regarding 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.

(g) 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.

The City shall deliver to the Underwriters, within seven business days of the date hereof, 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. The City shall deliver to the Underwriters an electronic copy of the Official Statement in a form that permits the Underwriters to satisfy their obligations under the rules and regulations of the MSRB and the U.S. Securities and Exchange Commission.

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 and warrants as of the date hereof and agrees as follows:

(a) The City is a charter city and municipal corporation duly organized and validly existing under the Charter and the laws of the State of California.

(b) The City has the full legal power and authority 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.

(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's General Fund 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 in writing (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, under the caption "UNDERWRITING," any information expressly provided by the Underwriters for inclusion therein, and information permitted to be omitted by Rule 15c2-12, as to which no view need be expressed) did not, on the date thereof, and through the period up to and including the execution of this Note Purchase Contract, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made 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, under the caption “UNDERWRITING” and any information expressly provided by the Underwriters for inclusion therein.

(n) If the Official Statement is supplemented or amended pursuant to subsection (o) 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 subsection) 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, under the caption “UNDERWRITING” and any information expressly provided by the Underwriters for inclusion therein.

(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 reasonable 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) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Notes.

(q) Any certificate signed by any officer of the City and delivered to the Underwriters pursuant to the Note Resolution or any document contemplated thereby shall be deemed a representation and warranty by the City to the Underwriters as to the statements made therein.

(r) 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 Note Resolution.

(s) The City’s Audited Financial Statements for the Fiscal Year ended June 30, 2022, fairly and accurately present the financial condition of the City’s General Fund 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's General Fund.

(t) The description of the application of the proceeds from the sale of the Notes contained in the Official Statement is true, accurate and complete in all material respects.

(u) 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.

#### Section 8. Closing.

At 8:30 a.m., Los Angeles time, on [CLOSING DATE], 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 to DTC in New York, New York, on behalf of the Underwriters, the Notes, in definitive form duly executed 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; the Notes 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 “[\_\_\_\_\_]” by S&P Global Ratings and “[\_\_\_\_\_]” by Moody’s Investors Service, Inc.;

(9) The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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; and

(10) 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) the marketability of the Notes or the market price thereof, in the reasonable opinion of the Representative (after consultation with the City), has been materially adversely affected by (i) an amendment to the Constitution of the United States, (ii) any legislation (A) enacted by the United States or the State of California, (B) recommended to the Congress or, except as disclosed in the Preliminary Official Statement and the Official Statement, 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 (C) presented as an option for consideration by either such Committee, by the staff of such Committee or by the staff of the Joint Committee on Taxation of the United States Congress, or favorably reported for

passage to either House of the Congress by any Committee of such House or by a Conference Committee of both Houses to which such legislation has been referred for consideration, or (iii) any decision of any court of the United States or by any ruling or regulation (final, temporary or proposed) on behalf of the Treasury Department of the United States, the Internal Revenue Service or any other authority of the United States or any comparable legislative, judicial or administrative development affecting the federal or state tax status of the City, its property or income, or the federal or state income tax treatment of interest on its obligations, including the Notes;

(b) there shall have occurred the outbreak or escalation of hostilities involving the United States or a national or international calamity or crisis, or the declaration by the United States of a national emergency or war, or any other calamity or crisis in the financial markets of the United States or elsewhere, which in the reasonable judgment of the Representative (after consultation with the City) have had a materially adverse effect on the marketability of the Notes or the market price thereof;

(c) 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 major financial crisis or 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;

(d) 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;

(e) a general suspension of trading shall have occurred, 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 and be in force on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;

(f) an event described in subsection (o) of Section 7 shall have occurred or be discovered 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 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 Preliminary Official Statement or 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;

(g) 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 a decision by a court of the United States, or action (including a stop order) shall be taken or a regulation shall be issued by the Securities and Exchange Commission or 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 (the "Securities Act"); (ii) the Note Resolution is not, or may not be, exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"); 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;

(h) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Notes, or issued a stop order or similar ruling relating thereto; or

(i) the marketability of the Notes or the market price thereof, in the reasonable opinion of the Representative (after consultation with the City), has been materially adversely affected by the New York Stock Exchange or other national securities exchange, or any governmental authority, shall have imposed additional material restrictions not in force as of the date hereof upon trading in securities generally or 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.

#### 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 UBS Financial Services Inc., 515 S. Flower Street, Suite 5000, Los Angeles, California; Attention: Shawn Dralle.

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(n) and (o) 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,

UBS FINANCIAL SERVICES INC.  
BOFA SECURITIES, INC.  
ACADEMY SECURITIES  
SIEBERT WILLIAMS SHANK & CO., LLC

By: \_\_\_\_\_  
UBS FINANCIAL SERVICES INC.  
as Representative of the Underwriters

By: \_\_\_\_\_  
UBS FINANCIAL SERVICES INC.  
as Representative of the Underwriters

Agreed and Accepted:

This \_\_\_\_ day of June, 2023

CITY OF LOS ANGELES

By: \_\_\_\_\_  
Name: [Benjamin Ceja]  
Title: [Assistant City Administrative Officer]

APPROVED AS TO FORM:

June \_\_\_, 2023

HYDEE FELDSTEIN SOTO  
City Attorney

By: \_\_\_\_\_  
Deputy City Attorney

SCHEDULE I

<u>Maturity Date*</u>	<u>Principal Amount</u> \$[PAR AMOUNT]	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
* 10% Test Maturity.				

EXHIBIT A

FORM OF NOTE COUNSEL’S SUPPLEMENTAL OPINION

[\_\_\_\_], 2023

City of Los Angeles  
Los Angeles, California

UBS Financial Services Inc.  
Los Angeles, California

BofA Securities, Inc.  
Los Angeles, California

Academy Securities  
Roseville, California

Siebert Williams Shank & Co., LLC  
Oakland, California

Re: \$[PAR AMOUNT] City of Los Angeles, California 2023 Tax and Revenue  
Anticipation Notes

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Ladies and Gentlemen:

We have acted as Note Counsel in connection with the sale and issuance by the City of Los Angeles, California (the “City”) of \$[PAR AMOUNT] aggregate principal amount of the City of Los Angeles, California 2023 Tax and Revenue Anticipation Notes (the “Notes”). The Notes are authorized under the Charter of the City of Los Angeles and Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858 inclusive (the “Act”) and a resolution adopted by the City Council of the City (the “City Council”) on [RESO DATE] (the “Resolution”). This supplemental opinion is rendered pursuant to Section 9(c)(4) of the Note Purchase Contract, dated [SALE DATE] (the “Note Purchase Contract”), by and between the City and UBS Financial Services Inc. (the “Representative”), as Representative of itself, BofA Securities, Inc., Academy Securities and Siebert Williams Shank & Co., LLC (collectively, the “Underwriters”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Note Purchase Contract.

In arriving at the opinions and conclusions hereinafter expressed, we have examined: the Resolution, the Note Purchase Contract and the Tax Certificate of the City in connection with the issuance of the Notes, dated the date hereof (the “Tax Certificate”). In addition, we have relied upon and examined opinions of counsel to the City, certificates of the City and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have also examined the Preliminary Official Statement, dated [POS DATE] (the “Preliminary Official Statement”) and the Official Statement, dated [OS DATE], (the “Official Statement”) relating to the Notes.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. The rights and obligations under the Notes, the Note Purchase Contract and other documents, and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, to the limitations on legal remedies against municipal corporations in the State, and to the application of laws of the State relating to conflicts of interest to which public agencies are subject.

Based upon and subject to the foregoing, as of the date hereof and under existing law, we are of the following opinions or conclusions:

1. The statements in the Preliminary Official Statement and the Official Statement under the captions "THE NOTES," "SECURITY FOR THE NOTES" and "TAX STATUS OF INTEREST ON THE NOTES" and in Appendix B—"FORM OF APPROVING OPINION OF NOTE COUNSEL," insofar as such statements expressly summarize provisions of the Resolution and our final opinion concerning certain federal and state tax matters relating to the Notes, are accurate in all material respects for the Preliminary Official Statement as of the date of the Preliminary Official Statement and as of [SALE DATE], and for the Official Statement as of the date of the Official Statement and as of the date hereof. Except as specifically described in this paragraph, we express no opinion with respect to and have not undertaken to determine independently the accuracy, fairness or completeness of any statements contained or incorporated by reference in the Preliminary Official Statement or the Official Statement.

2. The Note Purchase Contract has been duly authorized, executed and delivered by the City and is a valid, legal and binding agreement of the City, enforceable in accordance with its terms, except that the rights and obligations under the Note Purchase Contract are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases, to limitations on legal remedies against public agencies in the State, and to the application of laws of the State relating to conflicts of interest to which public agencies are subject, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

3. The Notes are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended.



This opinion is furnished by us as Note Counsel to the City. No attorney client relationship has existed or exists between our firm and the Underwriters in connection with the Notes or by virtue of this supplemental opinion. This supplemental opinion is furnished to the Underwriters solely for your benefit in your capacity as Underwriters in connection with the original issuance and delivery of the Notes, and may not be provided, quoted or otherwise referred to, or relied upon by you for any other purpose or by any other person. This supplemental opinion is not intended to be relied upon by owners of the Notes or by any other party to whom it is not specifically addressed. We do not undertake to advise you of any subsequent events or developments which might affect the statements contained herein. Our engagement with respect to this matter has terminated as of the date hereof, and we disclaim any obligation to update this opinion.

Respectfully submitted,

EXHIBIT B  
RESERVED

## EXHIBIT C

### FORM OF OPINION OF DISCLOSURE COUNSEL

City of Los Angeles  
Los Angeles, California

[Closing Date]

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of Los Angeles, California (the “City”) in connection with its final Official Statement dated [OS DATE] (the “Official Statement”) relating to its 2023 Tax and Revenue Anticipation Notes (the “Notes”). The Notes are authorized 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 and a resolution adopted by the City Council of the City of Los Angeles (the “City Council”) on [RESO DATE] (the “Note Resolution”). Capitalized terms used in this letter and not otherwise defined herein shall have the meanings provided by the Official Statement.

The Preliminary Official Statement, dated [POS DATE] (the “Preliminary Official Statement”) and the Official Statement are the City’s documents and as such the City is responsible for their content. The statements made and the information contained in the Preliminary Official Statement and the Official Statement were reviewed for their accuracy, completeness, and materiality by representatives of the City. The purpose of our engagement was not to independently establish, confirm, or verify the factual matters set forth in the Preliminary Official Statement and the Official Statement and we have not done so. Moreover, many of the determinations required to be made in the preparation of the Preliminary Official Statement and the Official Statement involve wholly or partially matters of a non-legal character. We do not, therefore, take any responsibility for the factual matters set forth in the Preliminary Official Statement and the Official Statement and we undertake herein only to express certain limited negative assurances regarding the same.

The purpose of our engagement by you as the City was to provide certain limited negative assurances to UBS Financial Services Inc., as representative of the underwriters for the Notes (the “Underwriters”).

In separately requesting and accepting this letter, the City acknowledges that: (i) the scope of those activities performed by us were inherently limited and do not encompass all activities that the City as the issuer of the Notes may be responsible to undertake in preparing the Preliminary Official Statement and the Official Statement; (ii) those activities performed by us relied substantially on representations, warranties, certifications and opinions made by representatives of the City and others, and are otherwise subject to the matters set forth in this letter; and (iii) while such statements of negative assurance are customarily given to underwriters of municipal securities to assist them in discharging their responsibilities under the federal securities laws, the responsibilities of the City under those laws may differ from those of Underwriters in material

respects, and this letter may not serve the same purpose or provide the same utility to you as the City as it would to the Underwriters.

In giving the limited assurances hereinafter expressed, we are not expressing any opinion or view on, but have ourselves assumed and relied upon, the validity, accuracy and sufficiency of the records, documents, certificates and opinions executed and delivered in connection with the issuance of the Notes. Without limiting the foregoing statement, we have relied, without independently opining upon the legal conclusions expressed and without independently verifying the factual matters represented, on the legal opinions that we have reviewed. Also, we have relied upon a report prepared by a third party provider regarding the City's compliance with its continuing disclosure undertakings.

Also, this letter does not address: (i) CUSIP numbers; (ii) any financial statements contained or incorporated by reference in the Preliminary Official Statement and the Official Statement; (iii) any financial, demographic, statistical or economic data, estimates, projections, numbers, assumptions, charts, graphs, tables, or expressions of opinion contained in the Preliminary Official Statement and the Official Statement; (iv) the section entitled "TAX STATUS OF INTEREST ON THE NOTES"; and (v) information relating to the book-entry-only system, including information in APPENDIX D – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

In our capacity as Disclosure Counsel, we participated in meetings and conference calls with representatives of the City, Nixon Peabody LLP, as Note Counsel, the Underwriters, counsel to the Underwriters, Montague DeRose and Associates, LLC, as Municipal Advisor, and other parties, during which the contents of the Preliminary Official Statement and the Official Statement were discussed and reviewed. Based upon such participation, and information disclosed to us in the course of our representation of the City as Disclosure Counsel, considered in light of our understanding of the applicable law and the experience we have gained through our practice of law, and subject to all of the foregoing in this letter including the qualifications respecting the scope and nature of our engagement, we advise you, as a matter of fact but not opinion, that, during the course of our engagement as Disclosure Counsel with respect to the Preliminary Official Statement and the Official Statement, no facts came to the attention of the attorneys of our firm rendering legal services in connection with this matter that caused them to believe that the Preliminary Official Statement as of its date and the Official Statement as of its date or as of the date of the Closing, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This letter refers only to disclosure relating to the Notes as delivered to the Underwriters by the City, and no view is expressed as to any offering of derivative instruments, if any, relating to the Notes.

We assume no obligation to update, revise or supplement this letter to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or for any other reason.

We are not expressing any opinion with respect to the authorization, execution, delivery or validity of the Notes, or the exclusion from gross income for federal income tax purposes of interest on the Notes.

This letter is furnished by us solely for your benefit and may not be relied upon by any other person or entity, except as may be expressly authorized by us in writing. This letter is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Notes, except that reference may be made in any list of closing documents pertaining to the issuance of the Notes.

Very truly yours,

EXHIBIT D

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

[Closing Date]

UBS Financial Services Inc.,  
As Representative  
Los Angeles, California

Re: City of Los Angeles, California  
2023 Tax and Revenue Anticipation Notes

Ladies and Gentlemen:

This office has served as counsel to the City of Los Angeles (the “City”) in connection with the issuance of the City of Los Angeles, California 2023 Tax and Revenue Anticipation Notes (the “Notes”) in the aggregate principal amount of \$[PAR AMOUNT]. The Notes are being issued pursuant to the Charter of the City (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 and a resolution adopted by the Council of the City (the “City Council”) on [RESO DATE] (the “Note Resolution”). This letter is being delivered pursuant to Section 9(c)(5) of the Note Purchase Contract, dated [SALE DATE] (the “Note Purchase Contract”), by and among the City and UBS Financial Services Inc., on behalf of itself and as representative of the underwriters named therein (collectively, the “Underwriters”) relating to the Notes. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Note Purchase Contract.

In the course of the proceedings relating to the issuance of the Notes and in connection with the delivery of the opinions stated in this letter, we have examined originals or copies of the following: (a) the Charter, (b) the Note Resolution, (c) the Note Purchase Contract, (d) the Official Statement dated [OS DATE] (the “Official Statement”), relating to the Notes, (e) the Incumbency and Signature Certificate of the City, dated of even date herewith, and (f) such other records, documents, agreements, instruments, opinions, certificates and other matters as we deemed relevant, necessary or appropriate to render the opinions set forth below.

As to relevant factual matters, we have relied upon without undertaking to verify independently, among other things, the City’s factual representations contained in the records, documents, agreements, instruments, certificates and other matters described above. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with originals of all documents submitted to us as copies.

From such examination, on the basis of our reliance upon the assumptions in this letter and our consideration of those questions of existing law we considered relevant, and subject to the limitations and qualifications in this letter, as of the date hereof, we are of the following opinions:

1. The City is a charter city and municipal corporation of the State of California duly organized and existing under the Constitution of the State of California and the Charter.

2. The Note Resolution was duly adopted by the City Council at a meeting which was held pursuant to the terms of the Charter and all other applicable law and with all required notice having been given, and at which a quorum was present at the time of adoption of such Note Resolution. The Note Resolution has not been modified, amended or rescinded and is in full force and effect on and as of the date hereof.

3. The Note Purchase Contract and the Official Statement have been duly authorized, executed and delivered by the City.

4. To the best of our knowledge, the adoption by the City Council of the Note Resolution and execution and delivery by the City of the Note Purchase Contract, do not, in any material respect, (a) violate any applicable judgment, order or regulation applicable to the City or any Charter provision, law or ordinance of the City, and (b) conflict with or result in a breach of any of the provisions of or constitute a default under any indenture, agreement or other instrument to which the City is a party or by which it is bound, and with respect to which, where such violation, conflict, breach or default would materially and adversely affect the ability of the City to pay principal and interest on the Notes.

5. To the best of our knowledge, except as otherwise set forth in the Official Statement, there is no action, suit or proceeding before or by any court, public board or body pending (with service of process having been given to the City) or threatened against the City wherein an unfavorable decision, ruling or finding would (a) question the creation, organization, existence or powers of the City or the titles of the executive officers executing the Notes or the Note Purchase Contract to their respective offices, (b) seek to restrain or enjoin the issuance or delivery of any of the Notes, (c) contest the validity of the Notes, the Note Resolution or the Note Purchase Contract, (d) contest the power of the City to issue the Notes or to enter into the Note Purchase Contract, or (e) restrain or enjoin the repayment of the Notes by the City.

We express no opinion on the enforceability of the Notes, the Note Resolution or the Note Purchase Contract against the City.

The law covered by the opinions expressed herein is limited to the present law of the State of California. We express no opinion as to the laws of any other jurisdiction, and we express no opinion as to any Blue Sky laws, federal and state securities laws and tax laws.

We express no opinion with respect to any indemnification, contribution, penalty, lien priority, choice of law, choice of forum, choice of venue, severability or waiver provisions contained in the Note Resolution or the Note Purchase Contract.

The matters set forth in paragraph 5 are factual confirmations and not legal opinions.

The opinions set forth herein may be affected by actions taken or omitted by the City or other parties, or by events, facts or circumstances occurring after the date hereof. This letter speaks only as of the date hereof and we do not undertake, and expressly disclaim, any obligation to amend or supplement this letter as events, facts and circumstances come to our attention, or changes in law occur, after the date hereof which could affect the opinions set forth herein.

The opinions expressed herein are matters of professional judgment and are not a guarantee of result. The opinions are expressly limited to the matters set forth above, and we render no opinion, whether by implication or otherwise, as to any other matters. This letter is given in an official capacity only and not personally, and no personal liability shall derive herefrom.

This letter is for the sole benefit of the addressees hereof and is not to be used, circulated, quoted or otherwise referred to for any purpose; provided, however, that it may be included in the transcript of record of proceedings relating to the Notes. No other person may rely on this letter without our prior written consent. Other than the City, no attorney-client relationship has existed or exists between our office and the addressees of this letter in connection with the Notes or by virtue of this letter.

Respectfully submitted,

HYDEE FELDSTEIN SOTO, City Attorney

By: \_\_\_\_\_  
Gerald Kim, Deputy City Attorney



## EXHIBIT E

### ISSUE PRICE CERTIFICATE (REPRESENTATIVE)

#### CITY OF LOS ANGELES, CALIFORNIA 2023 TAX AND REVENUE ANTICIPATION NOTES

**\$(PAR AMOUNT)**

The undersigned UBS Financial Services Inc. (the “Representative”), on its own behalf and on behalf of BofA Securities, Inc., Academy Securities and Siebert Williams Shank & Co., 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. ***[10% Maturities][Sale of the Notes]***. As of the date of this certificate, for each Maturity of the [Notes][10% Maturities], the first price at which a Substantial Amount of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A attached hereto.

2. ***[Initial Offering Price of the [Notes][Undersold Maturities]***.

- a. The Underwriters offered the [Notes][Undersold Maturities] to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Notes is attached to this Certificate as Schedule B.
- b. As set forth in the Note Purchase Contract, the Underwriters have agreed in writing that, (i) for the [Notes][Undersold Maturities], they would neither offer nor sell the Notes of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Offering Period for such Maturity, nor would they permit a related party to do so. Pursuant to such agreement, none of the Underwriters has neither offered nor sold any maturity of the Notes at a price that is higher than the Initial Offering Price for that Maturity of the Notes during the Offering Period.]

3. ***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.

4. ***Defined Terms.***

(a) *10% Maturities* means those Maturities of the Notes listed in Schedule A hereto as the “10% 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) *Offering Period* means, with respect to an Undersold Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which the Underwriter[s] [has][have] sold a Substantial Amount of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.]

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

(f) *Regulatory 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).

(g) *Related Party*. Generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(h) *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 [SALE DATE].

(i) *Tax Compliance Certificate* means the Tax Compliance Certificate, dated [CLOSING DATE], executed and delivered by the City in connection with the issuance of the Notes.

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.

UBS Financial Services Inc., as Representative of  
the Underwriting Group

By \_\_\_\_\_  
Authorized Representative

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

<u>Maturity Date*</u>	<u>Principal Amount</u> \$[PAR AMOUNT]	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
* 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 [SALE DATE] (the “Note Purchase Contract”), between the City and UBS Financial Services Inc., as the Representative (capitalized undefined terms used in this Exhibit have the meanings ascribed thereto in the Note Purchase Contract):

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 Preliminary Official Statement and 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 [SALE DATE] (the “Note Purchase Contract”), between the City of Los Angeles (the “City”) and UBS Financial Services 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](https://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 C – Preliminary Official Statement,  
including Appendix A**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. 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.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE \_\_, 2023

[DAC LOGO]

**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 STATUS OF INTEREST ON THE NOTES" herein regarding certain other tax considerations.*



\$ \_\_\_\_\_ \*

**CITY OF LOS ANGELES, CALIFORNIA**  
**2023 TAX AND REVENUE ANTICIPATION NOTES**

Interest Rate: \_\_\_\_\_%; Yield: \_\_\_\_\_%; Price: \_\_\_\_\_

CUSIP<sup>†</sup> Number 544351 \_\_\_\_\_

**Dated: Date of Delivery**

**Due: June 27, 2024**

***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 2023 Tax and Revenue Anticipation Notes (the "Notes") described herein will be issued in the aggregate principal amount of \$ \_\_\_\_\_\*. 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 [14], 2023 (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 which are received or accrued by the City for the General Fund of the City during Fiscal Year 2023-24 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 deposit in the Debt Service Fund for the repayment of the Notes, from the Unrestricted Moneys: (a) not later than January 25, 2024, an amount equal to 20 percent of the total principal and interest due on all of the Notes, (b) not later than February 29, 2024, an amount equal to 20 percent of the total principal and interest due on all of the Notes, (c) not later than March 28, 2024, an amount equal to 20 percent of the total principal and interest due on all of the Notes, (d) not later than April 25, 2024, an amount equal to 20 percent of the total principal and interest due on all of the Notes, and (e) not later than May 24, 2024, 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. 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 set-aside date as set forth above, 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. See "SECURITY FOR THE NOTES" herein.

The City is authorized to issue additional notes by adoption of an additional resolution during Fiscal Year 2023-24; 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. See "THE NOTES — Additional 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 Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel to the City, and by Hydee Feldstein Soto, 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 \_\_, 2023.*

**UBS**  
**Academy Securities**

**BofA Securities**  
**Siebert Williams Shank & Co. LLC**

Dated: June \_\_, 2023

\* Preliminary, subject to change.

<sup>†</sup> Copyright© 2023 CUSIP Global Services. See inside cover page for further information regarding CUSIP data.

## CITY OF LOS ANGELES, CALIFORNIA

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### MAYOR

Karen Bass

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### CITY COUNCIL

Eunisses Hernandez, *District 1*  
Paul Krekorian, *District 2*  
Bob Blumenfield, *District 3*  
Nithya Raman, *District 4*  
Katy Yaroslavsky, *District 5*

[Vacant]<sup>1</sup>, *District 6*  
Monica Rodriguez, *District 7*  
Marqueece Harris-Dawson, *District 8*  
Curren D. Price, Jr., *District 9*  
Heather Hutt<sup>2</sup>, *District 10*

Traci Park, *District 11*  
John S. Lee, *District 12*  
Hugo Soto-Martinez, *District 13*  
Kevin de León, *District 14*  
Tim McOsker, *District 15*

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### CITY OFFICIALS

Hydee Feldstein Soto, *City Attorney*  
Kenneth Mejia, *City Controller*  
Matthew W. Szabo, *City Administrative Officer*  
Holly L. Wolcott, *City Clerk*  
Diana Mangioglu, *City Treasurer*

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### PROFESSIONAL SERVICES

#### *Note Counsel*

Nixon Peabody LLP  
Los Angeles, California

#### *Disclosure Counsel*

Stradling Yocca Carlson & Rauth, a Professional Corporation  
Newport Beach, California

#### *Municipal Advisor*

Montague DeRose and Associates, LLC  
Westlake Village, California

#### *Paying Agent*

Treasurer of the City of Los Angeles  
Los Angeles, California

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<sup>1</sup> A runoff election, between Imelda Padilla and Marisa Alcaraz, will be held June 24, 2023 to elect the Council member representing District 6.

<sup>2</sup> Heather Hutt, who has been filling the District 10 Council seat by appointment (at times in a non-voting caretaker capacity) since July 20, 2022, was appointed by the City Council as the District 10 Council member for the remainder of the unexpired term on April 11, 2023. See APPENDIX A — “CITY OF LOS ANGELES INFORMATION STATEMENT—MUNICIPAL GOVERNMENT.”

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 2023-24 (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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**CITY OF LOS ANGELES, CALIFORNIA**  
**2023 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 \$ \_\_\_\_\_ \* aggregate principal amount of its 2023 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 [14], 2023.

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 which are received or accrued by the City for the General Fund of the City during Fiscal Year 2023-24 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 cash flow management for revenues and expenditures of the City’s General Fund for Fiscal Year 2023-24, including the City’s Fiscal Year 2023-24 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 \$ \_\_\_\_\_ \*. Pursuant to the Fiscal Year 2023-24 Budget adopted by the City (the “Fiscal Year 2023-24 Adopted Budget”) (see APPENDIX A — “CITY OF LOS ANGELES INFORMATION STATEMENT — Financial Information — Budget and Financial Operations — Fiscal Year 2023-24 Adopted Budget”), the City has appropriated from amounts in the General Fund of the City, attributable to Fiscal Year 2023-24, an amount sufficient to pay debt service on the Notes. The Notes will be issued in registered form without coupons 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

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\* Preliminary, subject to change.



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 2023-24, 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 \$\_\_\_\_\_ 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 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

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*\* Preliminary, subject to change.*

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 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 for the repayment of the Notes, from the Unrestricted Moneys (each such payment being a “Set-Aside Payment” and, collectively, the “Set-Aside Payments”): (a) not later than January 25, 2024, an amount equal to 20 percent of the total principal and interest due on all of the Notes, (b) not later than February 29, 2024, an amount equal to 20 percent of the total principal and interest due on all of the Notes, (c) not later than March 28, 2024, an amount equal to 20 percent of the total principal and interest due on all of the Notes, (d) not later than April 25, 2024, an amount equal to 20 percent of the total principal and interest due on all of the Notes, and (e) not later than May 24, 2024, an amount equal to 20 percent of the total principal and interest due on all of the Notes (collectively, the “Pledged Moneys”). 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 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 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.

Pursuant to the Fiscal Year 2023-24 Adopted Budget (see APPENDIX A — “CITY OF LOS ANGELES INFORMATION STATEMENT — Financial Information — Budget and Financial Operations — Fiscal Year 2023-24 Adopted Budget”), the City has appropriated from amounts in the General Fund of the City, attributable to Fiscal Year 2023-24, 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 2023-24 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.

### **GENERAL FUND CASH FLOWS**

Set forth below is a summary of the City’s actual Fiscal Year 2021-22 General Fund cash flows, the City’s estimated 2022-23 General Fund cash flows (based on actual data through May \_\_, 2023) and the City’s projected Fiscal Year 2023-24 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 2023-24 Adopted Budget” attached hereto.

The Fiscal Year 2023-24 General Fund cash flow projections set forth below are based on the City’s Fiscal Year 2023-24 Adopted Budget, which was adopted by the City Council on June \_\_, 2023 and approved by the Mayor on June \_\_, 2023. The City’s revenue assumptions for Fiscal Year 2023-24 were based on trends

in receipts, analyses conducted by departments and relevant industry forecasts as of May 2023, and assume there will not be a new outbreak of a COVID-19 variant that prompts the reissuing of stay at home orders and also assume that an economic recession will not occur.

As reflected in the cash flow for Fiscal Year 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 Fiscal Year 2021-22. The City expects that it will be able to expend the full amount of the ARPA funding (including \$639.5 million in ARPA funding received in Fiscal Year 2020-21) 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 — Financial Results and Budget.”

In the Fiscal Year 2023-24 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 the 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 2023-24 Adopted Budget and Fiscal Year 2023-24 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 2021-22  
(Actuals as of June 30, 2022)  
(In Thousands)**

<i>MONTH ENDING</i>	<i>July 31</i>	<i>August 31</i>	<i>September 30</i>	<i>October 31</i>	<i>November 30</i>	<i>December 31</i>	<i>January 31</i>	<i>February 28</i>	<i>March 31</i>	<i>April 30</i>	<i>May 31</i>	<i>June 30</i>	<i>Total</i>
<b>BEGINNING CASH BALANCE</b>	\$ 442,687	\$ 845,224	\$ 945,913	\$ 833,591	\$ 600,655	\$ 269,334	\$ 800,309	\$ 746,181	\$ 432,601	\$ 447,018	\$ 603,863	\$ 362,084	
<b>RECEIPTS</b>													
Property Taxes	\$ 27,291	\$ 69,631	--	--	\$ 28,367	\$ 661,642	\$ 501,826	\$ 95,013	\$ 10,517	\$ 512,127	\$ 452,309	\$ 85,210	\$ 2,443,933
Utility Users Tax	51,198	44,780	\$ 49,207	\$ 49,294	46,665	49,216	51,186	73,347	51,592	66,568	53,243	51,855	638,151
Departmental Receipts	35,146	62,450	135,831	70,784	60,828	103,967	70,307	78,258	80,445	113,575	73,931	268,742	1,154,264
Sales Tax	62,454	56,270	51,379	55,015	59,307	50,675	49,243	80,084	48,427	45,907	73,224	55,314	687,299
Business Tax	24,574	14,800	21,390	14,041	14,439	17,967	41,781	109,098	356,516	82,356	31,309	29,330	757,601
Expenditure Transfers and Reimbursements	71,449	303,075	87,051	93,196	128,603	105,135	100,168	89,459	120,696	172,927	117,598	20,642	1,409,999
Other Revenues	57,080	116,319	72,747	143,795	99,964	75,437	70,667	57,645	42,046	77,942	131,431	73,486	1,018,558
Transfer from ARPA Fund	--	--	--	--	--	--	--	--	--	--	--	639,483	639,483
Borrowing from Other Funds	--	--	--	--	--	--	--	--	--	--	--	--	--
Power Revenue Transfer	--	--	--	--	--	--	--	--	--	--	112,508	112,507	225,015
2021 TRANs Proceeds	<u>1,923,448</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,923,448</u>
<b>Total Receipts</b>	<b>\$ 2,252,640</b>	<b>\$ 667,325</b>	<b>\$ 417,605</b>	<b>\$ 426,125</b>	<b>\$ 438,173</b>	<b>\$ 1,064,039</b>	<b>\$ 885,178</b>	<b>\$ 582,904</b>	<b>\$ 710,239</b>	<b>\$ 1,071,402</b>	<b>\$ 1,045,553</b>	<b>\$ 1,336,569</b>	<b>\$ 10,897,751</b>
<b>DISBURSEMENTS</b>													
Salaries	\$ 303,108	\$ 290,212	\$ 291,936	\$ 296,039	\$ 452,805	\$ 303,404	\$ 326,708	\$ 309,301	\$ 300,958	\$ 301,045	\$ 463,453	\$ 311,654	\$ 3,950,623
Allocations to Other Funds	69,547	115,673	94,836	55,317	174,602	55,573	56,866	60,519	55,261	59,778	66,550	99,217	963,739
Services, Equipment and Supplies	102,945	112,087	90,562	95,656	84,797	125,066	116,750	86,492	94,217	93,755	109,090	151,538	1,262,955
Other Disbursements	1,374,503	48,664	52,593	212,049	57,290	49,021	53,661	54,851	52,724	74,658	70,258	536,057	2,636,329
2021 TRANs Debt Service Fund	--	--	--	--	--	--	<u>385,321</u>	<u>385,321</u>	<u>192,661</u>	<u>385,321</u>	<u>577,981</u>	--	<u>1,926,605</u>
<b>Total Disbursements</b>	<b>\$ 1,850,103</b>	<b>\$ 566,636</b>	<b>\$ 529,927</b>	<b>\$ 659,061</b>	<b>\$ 769,494</b>	<b>\$ 533,064</b>	<b>\$ 939,306</b>	<b>\$ 896,484</b>	<b>\$ 695,821</b>	<b>\$ 914,557</b>	<b>\$ 1,287,332</b>	<b>\$ 1,098,466</b>	<b>\$ 10,740,251</b>
<b>SURPLUS/DEFICIT</b>	<b>\$ 402,537</b>	<b>\$100,689</b>	<b>\$ (112,322)</b>	<b>\$ (232,936)</b>	<b>\$ (331,321)</b>	<b>\$ 530,975</b>	<b>\$ (54,128)</b>	<b>\$ (313,580)</b>	<b>\$ 14,418</b>	<b>\$ 156,845</b>	<b>\$ (241,779)</b>	<b>\$ 238,103</b>	
<b>ENDING CASH BALANCE</b>	<b>\$ 845,224</b>	<b>\$ 945,913</b>	<b>\$ 833,591</b>	<b>\$ 600,655</b>	<b>\$ 269,334</b>	<b>\$ 800,309</b>	<b>\$ 746,181</b>	<b>\$ 432,601</b>	<b>\$ 447,018</b>	<b>\$ 603,863</b>	<b>\$ 362,084</b>	<b>\$ 600,187</b>	

Source: Office of the City Controller.

**CITY OF LOS ANGELES  
GENERAL FUND CASH FLOW  
FISCAL YEAR 2022-23  
(Actuals as of May 17, 2023)<sup>(1)</sup>  
(In Thousands)**

<i>MONTH ENDING</i>	<i>July 31</i>	<i>August 31</i>	<i>September 30</i>	<i>October 31</i>	<i>November 30</i>	<i>December 31</i>	<i>January 31</i>	<i>February 28</i>	<i>March 31</i>	<i>April 30</i>	<i>May 31</i>	<i>June 30</i>	<i>Total</i>
<b>BEGINNING CASH BALANCE</b>	\$ 600,187	\$ 790,861	\$ 1,001,760	\$ 944,858	\$ 541,344	\$ 484,201	\$ 1,028,471	\$ 1,188,676	\$ 1,010,439	\$ 830,834	\$ 1,095,067	\$ 969,153	
<b>RECEIPTS</b>													
Property Taxes	\$ 75,251	\$ 76,530	--	--	\$ 27,525	\$ 707,720	\$ 540,050	\$ 112,646	\$ 11,122	\$ 532,925	\$ 523,491	\$ 102,419	\$ 2,709,679
Utility Users Tax	49,985	59,326	\$ 59,785	\$ 40,463	65,875	43,525	68,335	44,013	73,897	94,067	36,062	68,126	703,459
Departmental Receipts	58,007	101,801	79,729	64,728	109,505	116,321	76,286	80,234	113,589	123,469	71,065	261,462	1,256,196
Sales Tax	65,864	59,780	57,148	59,358	65,741	59,408	54,019	66,855	56,084	49,826	62,806	55,527	712,416
Business Tax	21,660	21,843	13,039	18,925	17,970	21,862	46,869	193,059	333,371	51,767	39,472	27,347	807,184
Expenditure Transfers and Reimbursements	77,257	360,610	185,498	138,079	123,685	111,206	150,755	114,786	110,363	61,676	61,309	25,515	1,520,739
Other Revenues	76,861	116,996	71,384	96,824	120,361	31,635	93,829	69,699	52,699	61,879	103,488	180,617	1,076,272
Transfer from ARPA Fund	--	--	--	--	--	--	--	--	--	--	--	--	--
Transfer from Proprietary Funds	--	--	--	--	--	--	--	--	--	116,022	58,011	58,010	232,043
2022 TRANS Proceeds	1,597,469	--	--	--	--	--	--	--	--	--	--	--	1,597,469
<b>Total Receipts</b>	<b>\$ 2,022,354</b>	<b>\$ 796,886</b>	<b>\$ 466,583</b>	<b>\$ 418,377</b>	<b>\$ 530,662</b>	<b>\$ 1,091,677</b>	<b>\$ 1,030,143</b>	<b>\$ 681,292</b>	<b>\$ 751,125</b>	<b>\$ 1,091,631</b>	<b>\$ 955,704</b>	<b>\$ 779,023</b>	<b>\$ 10,615,457</b>
<b>DISBURSEMENTS</b>													
Salaries	\$ 327,222	\$ 302,546	\$ 302,279	\$ 469,384	\$ 365,296	\$ 303,965	\$ 325,408	\$ 314,985	\$ 323,911	\$ 318,425	\$ 480,384	\$ 324,211	\$ 4,158,016
Allocations to Other Funds	52,818	103,500	70,699	53,949	65,208	52,805	60,104	54,569	50,449	43,194	53,798	93,503	754,596
Services, Equipment and Supplies	98,508	127,738	101,792	102,652	100,399	141,640	100,263	110,380	127,176	106,929	139,785	212,439	1,469,701
Other Disbursements	1,353,132	52,203	48,715	195,906	56,902	48,997	57,078	52,510	102,109	31,765	80,566	528,242	2,608,125
2022 TRANS Debt Service Fund	--	--	--	--	--	--	327,085	327,085	327,085	327,085	327,085	--	1,635,425
<b>Total Disbursements</b>	<b>\$ 1,831,680</b>	<b>\$ 585,987</b>	<b>\$ 523,485</b>	<b>\$ 821,891</b>	<b>\$ 587,805</b>	<b>\$ 547,407</b>	<b>\$ 869,938</b>	<b>\$ 859,529</b>	<b>\$ 930,730</b>	<b>\$ 827,398</b>	<b>\$ 1,081,618</b>	<b>\$ 1,158,395</b>	<b>\$ 10,625,863</b>
<b>SURPLUS/DEFICIT</b>	<b>\$ 190,674</b>	<b>\$ 210,899</b>	<b>\$ (56,902)</b>	<b>\$ (403,514)</b>	<b>\$ (57,143)</b>	<b>\$ 544,270</b>	<b>\$ 160,205</b>	<b>\$ (178,237)</b>	<b>\$ (179,605)</b>	<b>\$ 264,233</b>	<b>\$ (125,914)</b>	<b>\$ (379,372)</b>	
<b>ENDING CASH BALANCE</b>	<b>\$ 790,861</b>	<b>\$ 1,001,760</b>	<b>\$ 944,858</b>	<b>\$ 541,344</b>	<b>\$ 484,201</b>	<b>\$ 1,028,471</b>	<b>\$ 1,188,676</b>	<b>\$ 1,010,439</b>	<b>\$ 830,834</b>	<b>\$ 1,095,067</b>	<b>\$ 969,153</b>	<b>\$ 589,781</b>	

<sup>(1)</sup> Based on actual figures through May 17, 2023; figures for the remainder of the Fiscal Year (May 18 – June 30) are estimates.  
Source: Office of the City Controller.

**CITY OF LOS ANGELES  
GENERAL FUND CASH FLOW  
FISCAL YEAR 2023-24  
(Projections)  
(In Thousands)**

<i>MONTH ENDING</i>	<i>July 31</i>	<i>August 31</i>	<i>September 30</i>	<i>October 31</i>	<i>November 30</i>	<i>December 31</i>	<i>January 31</i>	<i>February 29</i>	<i>March 31</i>	<i>April 30</i>	<i>May 31<sup>(1)</sup></i>	<i>June 30</i>	<i>Total</i>
<b>BEGINNING CASH BALANCE</b>	\$ 589,781	\$ 475,020	\$ 320,655	\$ 193,796	\$ 176,732	\$ 99,890	\$ 400,570	\$ 505,721	\$ 356,147	\$ 370,516	\$ 570,039	\$ 618,435	
<b>RECEIPTS</b>													
Property Taxes	\$ 38,566	\$ 73,316	--	--	\$ 34,850	\$ 726,027	\$ 573,747	\$ 172,643	\$ 8,336	\$ 502,363	\$ 549,808	\$ 104,324	\$ 2,783,980
Utility Users Tax	37,487	56,536	\$ 46,409	\$ 52,701	59,559	58,995	55,673	42,914	58,124	53,956	59,483	68,653	650,490
Departmental Receipts <sup>(2)</sup>	31,726	59,550	69,660	118,266	123,847	123,742	82,128	86,667	76,655	155,744	146,571	288,768	1,363,324
Sales Tax	54,679	58,482	69,200	58,264	62,175	68,621	55,041	71,699	63,008	49,429	56,128	57,504	724,230
Business Tax	8,717	13,993	17,573	10,828	13,352	9,344	30,909	157,086	482,074	39,366	41,531	22,427	847,200
Expenditure Transfers and Reimbursements <sup>(3)</sup>	88,471	128,926	190,473	119,869	143,475	113,179	135,826	132,130	137,359	129,837	150,409	202,427	1,672,381
Other Revenues <sup>(4)</sup>	75,480	99,400	81,851	217,177	92,367	82,113	94,263	96,217	87,341	91,523	111,423	168,455	1,297,610
Borrowing from Other Funds	--	--	--	110,000	140,000	--	--	--	--	--	--	--	250,000
Transfer from Proprietary Funds	--	--	--	--	--	--	--	--	--	118,251	59,126	59,125	236,502
2023 TRANs Proceeds <sup>(5)</sup>	\$ 1,513,102	--	--	--	--	--	--	--	--	--	--	--	1,513,102
<b>Total Receipts</b>	<b>\$ 1,848,228</b>	<b>\$ 490,203</b>	<b>\$ 475,166</b>	<b>\$ 687,105</b>	<b>\$ 669,625</b>	<b>\$ 1,182,021</b>	<b>\$ 1,027,587</b>	<b>\$ 759,356</b>	<b>\$ 912,897</b>	<b>\$ 1,140,469</b>	<b>\$ 1,174,479</b>	<b>\$ 971,683</b>	<b>\$11,338,819</b>
<b>DISBURSEMENTS</b>													
Salaries	393,886	\$ 331,033	\$ 331,033	\$ 331,033	\$ 495,500	\$ 331,033	\$ 343,528	\$ 336,024	\$ 336,024	\$ 336,024	\$ 505,086	\$ 336,024	\$ 4,406,228
Allocations to Other Funds	57,561	98,839	65,456	50,558	31,207	69,805	65,113	66,379	50,078	51,653	62,847	65,106	734,602
Services, Equipment and Supplies	130,200	150,100	143,164	138,396	160,118	159,876	141,867	133,174	140,986	151,800	181,903	194,891	1,826,475
Other Disbursements <sup>(6)</sup>	1,381,342	64,596	62,372	184,182	59,642	70,627	59,382	60,807	58,894	88,923	63,701	330,814	2,485,282
Repayment of Borrowings from Other Funds	--	--	--	--	--	--	--	--	--	--	--	--	--
2023 TRANs Debt Service Fund <sup>(7)</sup>	--	--	--	--	--	--	312,546	312,546	312,546	312,546	312,546	--	1,562,730
<b>Total Disbursements</b>	<b>\$ 1,962,989</b>	<b>\$ 644,568</b>	<b>\$ 602,025</b>	<b>\$ 704,169</b>	<b>\$ 746,467</b>	<b>\$ 881,341</b>	<b>\$ 922,436</b>	<b>\$ 908,930</b>	<b>\$ 898,528</b>	<b>\$ 940,946</b>	<b>\$ 1,126,083</b>	<b>\$ 926,835</b>	<b>\$11,265,317</b>
<b>SURPLUS/DEFICIT</b>	<b>\$ (114,761)</b>	<b>\$ (154,365)</b>	<b>\$ (126,859)</b>	<b>\$ (17,064)</b>	<b>\$ (76,842)</b>	<b>\$ 300,680</b>	<b>\$ 105,151</b>	<b>\$ (149,574)</b>	<b>\$ 14,369</b>	<b>\$ 199,523</b>	<b>\$ 48,396</b>	<b>\$ 44,848</b>	
<b>ENDING CASH BALANCE<sup>(8)</sup></b>	<b>\$ 475,020</b>	<b>\$ 320,655</b>	<b>\$ 193,796</b>	<b>\$ 176,732</b>	<b>\$ 99,890</b>	<b>\$ 400,570</b>	<b>\$ 505,721</b>	<b>\$ 356,147</b>	<b>\$ 370,516</b>	<b>\$ 570,039</b>	<b>\$ 618,435</b>	<b>\$ 663,283</b>	
<b>Available Borrowable Resources<sup>(9)(10)</sup></b>	[												
Other Borrowable Funds													
Reserve Fund <sup>(11)</sup>													
<b>Total Borrowable Funds</b>	]												

(1) The Set-Aside Payment to be made on May 24, 2024 occurs after the City Charter restriction on borrowing from special funds.

(2) Departmental Receipts 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 2023-24 annual contributions to the Los Angeles City Employees' Retirement System and the Fire and Police Pension Plan payable from proceeds of the Notes].

(7) 2023 TRANs Debt Service Fund amounts represent the Set-Aside Payments.

(8) Totals may not equal component parts due to rounding.

(9) 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.

(10) 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.

<sup>(11)</sup> 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 2023-24 Adopted Budget, the City currently anticipates that sufficient Unrestricted Moneys will be available to make Set-Aside Payments during Fiscal Year 2023-24. 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 2023-24 (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 24, 2024 occurs after the last Monday in April and no borrowing from special funds will be available to make up any deficiency.

The City has more than 20 special funds from which it could legally borrow to make payments on the Notes. The projections for borrowable resources set forth in the cash flows under “GENERAL FUND CASH FLOWS” represent the total for 11 of the largest sources. 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 2023-24. See “Other Borrowable Funds” under the heading “Available Borrowable Resources” in the City’s Fiscal Year 2023-24 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 may be invested in any authorized investment permitted by the City’s Statement of Investment Policy and the California Government Code and may be invested for a period of time in the “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. 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. The City believes that its investments in the General Investment Pool 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 2023-24 Adopted Budget**

The Fiscal Year 2023-24 General Fund cash flow projections set forth above are based on the City's Fiscal Year 2023-24 Adopted Budget. The City's Fiscal Year 2023-24 Adopted Budget is based on a number of assumptions regarding both revenues and expenditures. The City's revenue assumptions for Fiscal Year 2023-24 were based on trends in receipts, analyses conducted by departments and relevant industry forecasts as of May 2023, and assume there will not be a new outbreak of a COVID-19 variant that prompts the reissuing of stay at home orders and also assume that an economic recession will not occur. However, cyclical COVID-19 outbreaks—local or along the supply chain—continue to pose risks to the City's projected revenue growth. Additionally, 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 2023-24 Adopted Budget.” Accordingly, the City's actual Fiscal Year 2023-24 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 Note 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 Note Resolution and the Tax and Nonarbitrage Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

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. For taxable years beginning after December 31, 2022, interest on the Notes will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the “adjusted financial statement income” of such corporations.

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 2023-24. 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 2023-24, 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 2023-24 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 (or, in the case of Premium Notes callable prior to maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). 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 Premium 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. A description of certain pending matters and cases relating to the City is included in Appendix A.

### **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 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 Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, 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, 2022 (the "Financial Statements"), including the Independent Auditor's Report, are available on the EMMA website at <https://emma.msrb.org/P21663181-P21279973-P21708465.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 S&P Global Ratings ("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's.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, in a timely manner not in excess of ten business days after 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, (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 Note 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 on the Notes or 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 business days of the incurrence of the financial obligations set forth in the Purchase and Assignment Agreement with the Corporation and Banc of America Public Capital Corporation and the Sublease Agreement executed in connection therewith in accordance with certain of the City’s continuing disclosure undertakings. On October 24, 2019, the City filed notice of the incurrence of these agreements with the MSRB on the EMMA website.

The City omitted from the annual report filed for Fiscal Year 2017-18 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 2018-19 that was filed on April 28, 2020 with the MSRB on the EMMA website.

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 UBS Financial Services Inc., on behalf of itself and as representative of BofA Securities, Inc., Academy Securities, Inc. and Siebert Williams Shank & Co., 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 \$ \_\_\_\_\_, and 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.

UBS Financial Services Inc. (“UBS FSI”) has entered into a distribution and service agreement with its affiliate UBS Securities LLC (“UBS Securities”) for the distribution of certain municipal securities offerings. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

BofA Securities, Inc., an underwriter of the Notes, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill”). As part of this arrangement, BofA Securities, Inc. may distribute securities to Merrill, which may in turn distribute such securities to investors through the financial advisor network of this arrangement, BofA Securities, Inc. may compensate Merrill as a dealer for their selling efforts with respect to the Notes.

Academy Securities, Inc. has entered into third-party distribution agreements with various dealers for the retail distribution of certain municipal securities at the original issue prices. Pursuant to these third-party distribution agreements, Academy Securities may share a portion of its underwriting compensation with the respective dealers.

## **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**

**APPENDIX B**

**FORM OF APPROVING OPINION OF NOTE COUNSEL**

*Upon the delivery of the Notes, Nixon Peabody LLP, Note Counsel to the City of Los Angeles, proposes to deliver its approving opinion in substantially the following form:*

***[TO COME FROM BOND COUNSEL]***

## APPENDIX C

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix C concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interests in or other confirmation of ownership interests in the Notes or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

*The following description of the procedures and record-keeping with respect to beneficial ownership interests in the Notes, payment of principal, interest and other payments with respect to the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representation is made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

The Depository Trust Company, New York, NY, 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 fully-registered Note certificate will be issued for each maturity of the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and additional certificates will be issued in aggregate principal amounts up to \$500 million each with respect to any remaining principal amount of such maturity.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The foregoing internet addresses are included for reference only, and the information on such internet site is not incorporated by reference 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 Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. 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 certificates representing their ownership interests in 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. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 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 only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

**DRAFT**

**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. 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**

#### **Financial Results and Budget**

The City began Fiscal Year 2022-23 with General Fund Reserves (defined below) totaling \$818 million, or 11.0 percent of budgeted revenues. The Reserve Fund component of these reserves was \$601.7 million, or 8.1 percent of budgeted revenues. The City anticipates ending Fiscal Year 2022-23 with General Fund revenues exceeding budget by [\$100.5 million].

The City’s Fiscal Year 2023-24 Adopted Budget is balanced, with total General Fund revenues and appropriations of \$7.90 billion, including a transfer from the Reserve Fund of \$136.4 million. This transfer was made possible by the City’s deposit to the Reserve Fund of [\$102 million in excess Fiscal Year 2022-23 revenues and approximately \$79.3 million received from the Federal Emergency Management Agency in Fiscal Year 2022-23] and by expenditure savings and therefore anticipated year-end reversions exceeding historical levels. Therefore, even after the transfer from the Reserve Fund, the City estimates that the Reserve Fund will begin Fiscal Year 2023-24 at approximately \$568 million, or 7.2 percent of budgeted revenues. The City expects to begin Fiscal Year 2023-24 with General Fund Reserves totaling \$794 million, or 10.1 percent of budgeted General Fund revenues. Revenue assumptions for Fiscal Year 2023-24 were based on trends in receipts, analyses conducted by departments and relevant industry forecasts as of [May] 2023, and assume there will not be a new outbreak of a COVID-19 variant that prompts the reissuing of stay at home orders and also assume that an economic recession will not occur. Future economic uncertainty presents particular challenges in connection with the revenue forecast for Fiscal Year 2023-24, as well as future fiscal years included in the Four-Year Budget Outlook.

The Four-Year Budget Outlook (the “Outlook”), prepared annually in connection with the budget and last updated in connection with the Fiscal Year 2023-24 Adopted Budget, projects an operating deficit of [\$13 million in Fiscal Year 2024-25 and operating surpluses in the next three fiscal years (\$291 million in Fiscal Year 2025-26, increasing to \$602 million in Fiscal Year 2027-28).] The surpluses are based on the expectation that revenues will continue to grow at historic averages; the Outlook does not take inflation into account [beyond Fiscal Year 2023-24]. On the spending side, a major driver is the expectation that [the City’s contributions to its retirement systems will decline in the future.] Further, the Outlook projections do not assume any negotiated employee compensation increases after the expiration in 2023 and 2024 of current labor agreements and exclude

certain potential large capital projects. In addition, the Outlook projections do not take into account any potential impacts of an economic recession. “See “BUDGET AND FINANCIAL OPERATIONS—General Fund Budget Outlook.”

### **Certain Significant Challenges**

**Labor Negotiations.** As described in “BUDGET AND FINANCIAL OPERATIONS – Labor Relations” the City’s existing Memoranda of Understanding (“MOUs”) with labor organizations all expire in 2023 and 2024. The Fiscal Year 2023-24 Adopted Budget and the Outlook do not include any potential increased costs associated with the negotiations.

**Homelessness.** The City faces challenges in connection with its large homeless population. Voters approved Measure H in 2017, increasing County-wide sales taxes by  $\frac{1}{4}$  percent to fund services to the homeless population. Voters also approved Proposition HHH in 2016, authorizing \$1.2 billion in City general obligation bonds to finance low income and supportive housing, of which \$86,370,000 was issued in 2017, \$276,240,000 was issued in 2018, \$211,940,000 was issued in 2021, and \$389,435,000 was issued in 2022, leaving remaining authorization of \$236,015,000. However, the Measure H and Proposition HHH funding is still inadequate to meet the needs of this population.

The Fiscal Year 2023-24 Adopted Budget anticipates approximately \$1.3 billion in spending to combat homelessness. This includes \$473.8 million in General Fund spending. It also includes \$803.9 million in spending from various special funds, including federal and State grants, the City’s Proposition HHH general obligation bonds, and ULA (defined below) special tax proceeds.

The City was subject to a lawsuit (*LA Alliance for Human Rights et al. v. City of Los Angeles et al.*) for violating various State and federal laws in connection with the City’s and County’s alleged failures in responding to homelessness. On June 14, 2022, a proposed settlement between the City and the plaintiffs was approved by the court. On July 13, 2022, the homeless rights advocates who intervened in the case filed a notice of appeal of the District Court’s Order approving the stipulated dismissal and proposed settlement between the City and Plaintiffs. The Parties are briefing the matter and oral arguments, if scheduled, will proceed on a date not yet determined after the briefing is fully submitted. See “LITIGATION—*LA Alliance for Human Rights et al. v. City of Los Angeles et al.*”

**Measure ULA Special Tax.** On November 8, 2022, the City’s voters approved “Measure ULA—Funding for Affordable Housing and Tenant Assistance Programs Through A Special Tax on Real Property Transfers Over \$5 Million” (“ULA”), a voter initiative to fund affordable housing projects and programs. ULA, which passed with approximately 58 percent of the vote, amends the City’s present documentary transfer tax by adding a new tax, subject to certain exemptions, of (a) 4.0 percent on the sale or transfer of real property exceeding \$5 million but less than \$10 million, and (b) 5.5 percent on the sale or transfer of real property of \$10 million or more. The City presently imposes a documentary transfer tax at a rate of approximately 0.45 percent on properties sold for over \$100. Proceeds of the City’s present documentary transfer tax are deposited in the General Fund, while proceeds of the ULA special tax will be deposited into a special fund to be used for affordable housing projects and programs as set forth under ULA. The ULA special tax became effective pursuant to its terms on April 1, 2023.

On December 21, 2022, Howard Jarvis Taxpayers Association and Apartment Association of Greater Los Angeles filed, in Los Angeles County Superior Court, a reverse validation action to invalidate the ULA special tax (*Howard Jarvis Taxpayers Assn. et al. v. City of Los Angeles et al.*) (“Jarvis Action”) pursuant to California Code of Civil Procedure section 860 et seq. On January 6, 2023, Newcastle Courtyards, LLC and Jonathan Benabou (collectively “Newcastle”) also filed a reverse validation action in Los Angeles County Superior Court (*Newcastle Courtyards, LLC et al. v. City of Los Angeles et al.*) pursuant to California Code of Civil Procedure section 860 et seq. Newcastle filed an additional complaint in the United States District Court for the Central District of California to challenge the validity of ULA and the ULA special tax (collectively

“Newcastle Actions”). The Jarvis Action seeks to enjoin the ULA special tax by alleging that the enactment of the ULA special tax violates Section 450 of the Charter and Section 4 of Article XIII A of the California Constitution. The Newcastle Actions, similarly, seek to enjoin the ULA special tax based on allegations that it violates Section 4 of Article XIII A of the California Constitution and would infringe various taxpayer protections and rights granted under the U.S. Constitution and California Constitution. The City is defending ULA and its interests in these matters. Due to the preliminary nature of the matters, the City cannot provide any assurances that ULA and the ULA special tax will ultimately be upheld in court.

The City also cannot predict whether the statewide ballot initiative, known as the “Taxpayer Protection and Government Accountability Act,” will be approved by a majority of voters casting a ballot at the November 5, 2024 statewide election (see “LIMITATIONS ON TAXES AND APPROPRIATIONS—Future Initiatives”). If passed, the Taxpayer Protection and Government Accountability Act could impact the ability of the City to levy the ULA special tax.

Notwithstanding the above challenges to the ULA, the Fiscal Year 2023-24 Adopted Budget appropriates \$150 million in ULA special tax revenues to pay for affordable housing and homelessness prevention programs. Total expected ULA special tax revenues in Fiscal Years 2022-23 and 2023-24 are projected to be approximately \$672 million. The excess over the \$150 million described above is not budgeted for expenditure. In the event the ULA special tax is invalidated in court, the General Fund may be at risk of repaying ULA special tax receipts collected that have been expended. The City has attempted to mitigate this risk with the intent to use eligible future year FEMA reimbursements from previous COVID-19 response activities to make any required repayments, but the receipt of FEMA reimbursements are uncertain in both their amount and timing and any repayment obligation, should it occur, would ultimately fall on the General Fund.

In addition to the legal challenges to the ULA, the availability of ULA special tax revenues is subject to actual receipt of these tax revenues. Documentary Transfer Tax revenues such as the ULA special tax are volatile because the growth (or decline) of this revenue source is magnified when home prices and sales volume move together.

***Street and Sidewalks Maintenance; Americans With Disabilities Act Compliance.*** The City faces costs in the billions of dollars relating to the repair and maintenance of streets and sidewalks in the City, and compliance with the Americans With Disabilities Act (“ADA”). See “BUDGET AND FINANCIAL OPERATIONS—Capital Program.” These costs include costs relating to the City’s Pavement Preservation Program and Sidewalk Repair Program for street repairs and sidewalk (including access and curb ramps) remediation projects. Certain of the activities under the Pavement Preservation Program, such as street resurfacing and reconstruction, trigger the application of current ADA provisions, which requires the updating of existing access ramps or the construction of new ramps where there are none. These expenditures related to street and sidewalk repair and maintenance also include expenditures required by the settlement of previous litigation in 2016 (*Willits, et al. v. City of Los Angeles*), under which the City committed to expend approximately \$1.4 billion over a 30 year period for various sidewalk remediation projects.

The Fiscal Year 2023-24 Adopted Budget appropriates \$274.9 million (of which \$57.1 million represents appropriations from the General Fund) for street and sidewalk repair and maintenance (including costs of ADA compliance required in connection with such repair and maintenance and \$35.7 million appropriated in said budget pursuant to the *Willits* litigation settlement). The amount and timing of expenditures relating to the repair and maintenance of streets and sidewalks in the City, and compliance with the ADA related thereto, is uncertain. There can be no assurances that the annual cost of such work (or the portion of such cost to be paid from the General Fund) will not significantly increase from the levels in Fiscal Year 2023-24 in future fiscal years, or that there will not be further actions or enforcement activities under the ADA. Significant increases above currently contemplated levels could materially adversely impact the General Fund.

***Litigation.*** The City is routinely party to a variety of pending and threatened lawsuits. These matters include litigation relating to homelessness, as mentioned above, and 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 to the U.S. Department of Housing and Urban Development, the latter of which could result in potential exposure to the City estimated to be \$3 billion based on certain private parties' original complaint (which included a claim for treble damages). See "LITIGATION."

***Clean Water Compliance.*** On July 23, 2021, the Los Angeles Regional Water Quality Control Board ("LARWQCB") adopted the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit ("MS4 Permit"). 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 the MS4 permit, which requires the collective expenditure of tens of billions of dollars by the impacted municipalities through 2037. The City's share of the costs is estimated to be approximately \$8 billion. While a portion of these cost will be funded through a county-wide parcel tax, like many other impacted municipalities, the City has not identified funding sources for a significant portion of these costs. See "OTHER MATTERS—Clean Water Compliance."

***Expiring Labor Contracts.*** The vast majority of the City's employee labor contracts will expire by the end of 2023. The contract with the Police Protective League, which represents over 8,900 sworn police officers, expires on June 30, 2023, while contracts with the Coalition of LA City Unions, the Engineering and Architects Association, and the Municipal Construction Inspectors Association, representing a total of 29,500 civilian employees, expire by the end of December 2023. No successor deals are yet in place and, while it is possible that those deals would require compensation adjustments in 2023-24, there is no appropriation for those potential costs in the Fiscal Year 2023-24 Adopted Budget.

The City has strategies to address potential Fiscal Year 2023-24 costs associated with compensations adjustments that it may negotiate. The City is experiencing high vacancy rates, which, if they continue, will continue to generate savings that could be used to absorb a portion of these costs. Further, the Fiscal Year 2023-24 Adopted Budget reappropriates \$73 million of the Fiscal Year 2022-23 \$93 million appropriation in the Unappropriated Balance for payroll reconciliation, which the City can use to offset these costs. As a final option, the City would access its General Fund reserves during Fiscal Year 2023-24 for costs that it cannot absorb through these other means.

## **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.

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 the Mayor is the ex-

officio head. The current Mayor, Karen Bass, was elected to the office at the November 8, 2022 general election and assumed office on December 12, 2022.

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. The Council consists of 15 members elected by district for staggered four-year terms.

On October 13, 2021, Mark Ridley-Thomas, then a member of the 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. On March 30, 2023, Mr. Ridley-Thomas was convicted of seven felony charges, which resulted in his office becoming vacant in accordance with the Charter. To fill the vacant office, Heather Hutt, who has been filling the District 10 Council seat by appointment (at times in a non-voting caretaker capacity) since July 20, 2022, was appointed by the Council as the District 10 Council member for the remainder of the unexpired term on April 11, 2023.

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, Kenneth Mejia, assumed office on December 12, 2022.

The City Attorney is the 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, Hydee Feldstein Soto, assumed office on December 12, 2022.

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.

The City Administrative Officer (“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.

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.

The City has 41 departments and bureaus for which operating funds are annually budgeted by the Council. 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 2021-22 Results**

The City prepares its financial statements in accordance with Generally Accepted Accounting Principles (“GAAP”) as promulgated by the Government Accounting Standards Board (“GASB”). The Financial Statements include a consolidated statement of governmental activities, which accounts for all functions of the City that are principally supported by taxes and other revenues not intended to recover costs through user fees and charges. GAAP requires the inclusion of both pension and retiree health liabilities in the government-wide

Statement of Net Position. The City’s Annual Comprehensive Financial Report (the “ACFR”) for the Fiscal Year Ended June 30, 2022 reported a deficit balance for the governmental activities’ unrestricted net position of \$5.240 billion, largely due to a net long-term pension liability of \$3.650 billion and net liability of \$0.907 billion for Other Post-Employment Benefits such as health care (“OPEB”).

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.

Fiscal Year 2021-22 represented a significant reversal from the COVID-driven revenue pressures of the prior two fiscal years, with American Rescue Plan Act’s State and Local Fiscal Recovery Funds program (“ARPA”) funds accounting for an additional \$639.5 million in revenues available for eligible General Fund expenditures. In addition, most City revenues returned to pre-pandemic levels.

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 GAAP for the periods indicated.



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

	2018	2019	2020	2021	2022
<b>Assets</b>					
Cash and Pooled Investments <sup>(1)</sup>	\$ 1,058,705	\$ 1,291,607	\$ 1,433,584	\$ 1,856,003	\$ 1,992,342
Other Investments	-	-	451	762	727
Taxes Receivable	669,205	675,777	682,470	782,303	1,116,337
Accounts Receivable	107,631	109,123	127,181	139,628	147,123
Special Assessments Receivable	3,040	3,174	2,863	3,550	4,459
Investment Income Receivable	12,985	15,680	10,014	7,812	10,463
Intergovernmental Receivable	143,773	149,002	152,247	193,305	284,965
Leases Receivable	-	-	-	-	1,977
Loans Receivable	-	-	42	1,331	1,382
Due from Other Funds	115,287	84,183	196,394	104,675	111,970
Inventories	33,004	46,653	42,053	39,760	39,228
Prepaid Items and Other Assets	5	7	11	34	408
Advances to Other Funds	8,814	8,688	20,831	21,374	26,859
<b>Total Assets</b>	<b>\$ 2,152,449</b>	<b>\$ 2,383,894</b>	<b>\$ 2,668,141</b>	<b>\$ 3,150,537</b>	<b>\$ 3,738,240</b>
<b>Liabilities:</b>					
Accounts, Contracts and Retainage Payable	\$ 83,488	\$ 93,312	\$ 254,392 <sup>(5)</sup>	\$ 272,990	\$ 286,482
Obligations Under Securities Lending Transactions	33,339	21,874	13,799	19,333	39,182
Accrued Salaries and Overtime Payable	203,015	221,902	252,022	120,242	181,678
Accrued Compensated Absences Payable	9,254	8,381	7,912	11,529	5,385
Estimated Claims and Judgments Payable	69,831	66,284	35,741	37,511	42,358
Intergovernmental Payable	493	56	1,010	882	953
Due to Other Funds	133,283	141,905	188,702	174,796 <sup>(6)</sup>	102,491 <sup>(6)</sup>
Unearned Revenue	972	1,535	-	322,085 <sup>(7)</sup>	302,455 <sup>(7)</sup>
Deposits and Advances	9,094	12,974	9,184	11,901	21,739
Advances from Other Funds	18,391	12,499	131,093	81,148	56,130
Other Liabilities	45,737	37,248	53,177	89,104	66,079
<b>Total Liabilities</b>	<b>\$ 606,897</b>	<b>\$ 617,970</b>	<b>\$ 947,032</b>	<b>\$ 1,141,521</b>	<b>\$ 1,104,932</b>
<b>Deferred Inflows of Resources</b>					
Real Estate Tax	\$ 62,674	\$ 68,813	\$ 88,615	\$ 88,635	\$ 86,191
Taxes Other than Real Estate	344,215	377,206	398,251	431,719	699,740
Receivables from Other Government Agencies	125,663	131,890	129,309	142,325	135,673
Interest Receivable on Loans and Others	83,785	81,974	112,805	122,360	212,092
Leases	-	-	-	-	1,918
<b>Total Deferred Inflows of Resources</b>	<b>\$ 616,337</b>	<b>\$ 659,883</b>	<b>\$ 728,980</b>	<b>\$ 785,039</b>	<b>\$ 1,135,614</b>
<b>Fund Balances</b>					
Nonspendable <sup>(2)</sup>	\$ 41,823	\$ 55,348	\$ 62,895	\$ 61,168	\$ 66,495
Restricted	-	-	-	-	-
Committed	25,151	33,092	37,386	71,733	85,078
Assigned <sup>(3)</sup>	289,080	334,195	356,167	426,654	724,278
Unassigned <sup>(4)</sup>	573,161	683,406	535,681	664,422	621,843
<b>Total Fund Balances</b>	<b>\$ 929,215</b>	<b>\$ 1,106,041</b>	<b>\$ 992,129</b>	<b>\$ 1,223,977</b>	<b>\$ 1,497,694</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,152,449</b>	<b>\$ 2,383,894</b>	<b>\$ 2,668,141</b>	<b>\$ 3,150,537</b>	<b>\$ 3,738,240</b>

<sup>(1)</sup> Includes securities held under securities lending transactions, offset by the Liability "Obligations Under Securities Lending Transactions."

<sup>(2)</sup> Includes inventories and certain advances to other funds.

<sup>(3)</sup> Includes encumbrances, various revolving funds, and certain net receivables.

<sup>(4)</sup> Primarily consists of the City's Reserve Fund and BSF (defined below).

<sup>(5)</sup> The significant increase in Accounts Payable balances beginning in Fiscal Year 2019-20 is due to the implementation of GASB 84, which reclassifies what were previously Business-Type Funds (Custodial Funds) to Governmental Funds.

<sup>(6)</sup> Includes approximately \$90.8 million to be paid to the City's wastewater enterprise fund for Fiscal Year 2020-21 and approximately \$34.8 million to be paid to the City's wastewater enterprise fund for Fiscal Year 2021-22, which may be accelerated in connection with potential budgetary constraints of the wastewater enterprise fund.

<sup>(7)</sup> 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)**

	2018	2019	2020	2021	2022
Revenues:					
Property Taxes	\$ 1,958,033	\$ 2,075,764	\$ 2,213,899	\$ 2,401,848	\$ 2,492,320
Sales Taxes	534,236	596,465	536,362	562,217	694,218
Utility Users Taxes	640,711	606,369	643,564	610,946	632,433
Business Taxes	534,994	617,169	668,035	686,520	756,960
Other Taxes	688,804	729,649	620,653	521,955	778,563
Licenses and Permits	38,777	34,157	34,999	29,390	31,493
Intergovernmental	17,822	23,062	27,284	28,145	43,171
Charges for Services	315,900	306,462	351,983	358,772	341,191
Services to Enterprise Funds	316,245	326,650	368,706	328,481	327,326
Fines	141,346	135,526	113,643	100,559	116,805
Special Assessments	1,755	1,825	769	1,731	2,691
Investment Earnings	33,024	84,257	99,248	28,579	35,770
Change in Fair Value of Investments <sup>(1)</sup>	(26,754)	-	-	(34,572)	(145,900)
Other	55,039	99,717	65,406	46,107	62,094
Total Revenues	\$ 5,249,932	\$ 5,637,072	\$ 5,744,551	\$ 5,670,678	\$ 6,169,135
Expenditures:					
Current:					
General Government <sup>(2)</sup>	\$ 1,332,676	\$ 1,336,331	\$ 1,553,572	\$ 1,478,060	\$ 1,573,832
Protection of Persons and Property	2,963,819	3,095,356	3,269,764	3,221,865	3,414,251
Public Works	186,390	193,846	219,657	147,933	201,042
Health and Sanitation	95,705	111,680	107,329	121,325	164,898
Transportation	119,240	107,590	102,720	112,490	139,871
Cultural and Recreational Services	61,996	61,120	52,220	44,018	79,454
Community Development	39,074	54,000	84,944	134,074	108,209
Capital Outlay	27,858	110,000	54,241	29,164	53,975
Debt Service: Principal	-	-	-	-	20,682
Debt Service: Interest	13,524	23,538	19,609	5,194	3,752
Debt Service: Cost of Issuance	763	518	559	1,103	867
Total Expenditures	\$ 4,841,045	\$ 5,093,979	\$ 5,464,615	\$ 5,295,226	\$ 5,760,833
Excess (Deficiency) of Revenues Over Expenditures	\$ 408,887	\$ 543,093	\$ 279,936	\$ 375,452	\$ 408,302
Other Financing Sources (Uses)					
Transfers In <sup>(3)</sup>	\$ 277,315	\$ 265,723	\$ 292,948	\$ 584,808	\$ 910,652
Transfers Out <sup>(4)</sup>	(643,061)	(724,032)	(714,147)	(728,412)	(1,060,079)
Loans from Capital Leases	-	78,393 <sup>(6)</sup>	-	-	14,842
Total Other Financing Sources (Uses)	\$ (365,746)	\$ (379,916)	\$ (421,199)	\$ (143,604)	\$ (134,585)
Net Change in Fund Balance	43,141	163,177	(141,263)	231,848	273,717
Fund Balances, July 1	886,228	929,215	1,106,041	992,129	1,223,977
Cumulative Effect of Change in Accounting Principle <sup>(5)</sup>	-	-	27,351	-	-
(Decrease) Increase in Reserve for Inventories	(154)	13,649	-	-	-
Fund Balances, July 1 Restated	-	-	1,133,392	-	-
<b>Fund Balances, June 30</b>	<b>\$ 929,215</b>	<b>\$ 1,106,041</b>	<b>\$ 992,129</b>	<b>\$ 1,223,977</b>	<b>\$ 1,497,694</b>

<sup>(1)</sup> When minor, any losses due to fair market valuation is netted out of interest earnings. Losses were reported separately in Fiscal Years 2017-18, 2020-21 and 2021-22 to provide a more meaningful illustration of real investment earnings.

<sup>(2)</sup> The increase in general government expenditures from Fiscal Years 2018-19 to 2019-20 primarily represent the purchase of testing kits and personal protective equipment for COVID-19 and the construction costs of multiple homeless projects.

<sup>(3)</sup> Historically, this line item has constituted primarily of transfers from the Power Revenue Fund; see "MAJOR GENERAL FUND REVENUE SOURCES—Power Revenue Transfers to General Fund." For Fiscal Year 2020-21, includes \$317 million in ARPA funds. For Fiscal Year 2021-22, includes \$659.1 million in ARPA funds.

<sup>(4)</sup> Primarily Charter-required transfers to the Library Department and the Department of Recreation and Parks of amounts equal to 0.0300 percent and 0.0325 percent, respectively, of assessed value of all property in the City and includes transfers to pay for General Fund lease-financing obligations.

<sup>(5)</sup> 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.

<sup>(6)</sup> 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, Finance and Innovation 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 Charter, the Mayor's Proposed Budget becomes the City Budget for the ensuing fiscal year. 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. FSRs are typically issued each fiscal year at the end of October, early December, early March and end of May.

### **Fiscal Year 2022-23**

[On June \_\_, 2023, the CAO released the Year-End Financial Status Report for Fiscal Year 2022-23. In addition to reporting that General Fund receipts to date were consistent with the revised projection that Fiscal Year 2022-23 would be \$118.3 million above the Fiscal Year 2022-23 Adopted Budget (1.6 percent above the estimates contained in the Fiscal Year 2022-23 Adopted Budget). This reflects a 0.4 percent decrease from Fiscal Year 2021-22 actual receipts; however, when ARPA receipts in Fiscal Year 2021-22 and Reserve Fund transfers in Fiscal Year 2021-22 and Fiscal Year 2022-23 are excluded, the year over year receipts increased by 9.9 percent. The report included recommendations to address remaining projected overspending of \$\_\_ million. This overspending included increased costs associated with inflationary pressures, most notably to petroleum, and from bonuses negotiated as part of the reopening of labor agreements. The CAO recommended addressing a portion of the overspending through \$\_\_ million in transfers and loans from the Reserve Fund, reducing the balance of the Reserve Fund to \$\_\_ million, or \_\_ percent of General Fund revenues. These transfers were anticipated in the Fiscal Year 2023-24 Adopted Budget and will not change the estimated July 1, 2023 Reserve Fund balance of \_\_ percent of Fiscal Year 2023-24 projected General Fund revenues.]

Various actions during Fiscal Year 2022-23 have reduced the City's reserves. After the various transfers recommended in the fourth FSR, the Reserve Fund balance will be \$498.5 million or 6.7 percent of Fiscal Year 2022-23 General Fund revenue. The various actions recommended and anticipated in that report will exhaust the Unappropriated Balance, Reserve for Mid-Year Adjustments account.

### **Fiscal Year 2023-24 Adopted Budget**

Total budgeted General Fund revenue for Fiscal Year 2023-24 is \$7.90 billion, which represents an increase of 4.5 percent from the revised revenue for Fiscal Year 2022-23. Excluding Reserve Fund transfers in Fiscal Year 2022-23 and Fiscal Year 2023-24, the increase is 2.9 percent. This increase is below historical average growth for General Fund revenues, resulting from lower than average projected increases in General Fund taxes of only 1.7 percent over Fiscal Year 2022-23 revised estimates. This lower growth is offset by a

\$136.4 million Reserve Fund transfer. The Fiscal Year 2023-24 Adopted Budget balances significant investments to combat homelessness, increases capital and technology spending by \$37 million, authorizes the hiring of up to 980 sworn police officers for a potential net increase of 390 officers through both fully filled recruit classes and an optional retiree call back program, while maintaining the General Fund Reserves in compliance with Financial Policies (defined below). Although the Fiscal Year 2023-24 Adopted Budget authorizes police hiring described above, in anticipation that the target hiring levels may not be achievable it does not fully fund it.

The following table presents the Fiscal Year 2023-24 Adopted Budget and the Adopted Budgets for the preceding Fiscal Years. The table does not reflect changes made to the budgets subsequent to their original adoption, which for Fiscal Years 2019-20, 2020-21, and 2021-22 in particular were substantial due to pandemic-related revenue shortfalls and the availability of federal relief funds.

The City does not prepare the budget based on GAAP classifications, so that historic revenues and expenditures in the table below will vary from those used in Table 2 above, which is derived from the City's ACFR and prepared on a GAAP basis. Besides the basic accounting basis of recognition of revenues on a cash (budget) rather than accrual basis (GAAP), inter-fund transfers and other transactions are classified in a different manner. For example, certain line items such as Licenses and Permits are substantially different between the budget and the financial statements; in the financial statements, significant reimbursements to the General Fund from special revenues funds are netted out along with corresponding expenditures.

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 3A**  
**CITY OF LOS ANGELES GENERAL FUND ADOPTED BUDGET**

	2019-20	2020-21	2021-22	2022-23	2023-24
<b>General Fund Revenues</b>					
Property Taxes <sup>(1)</sup>	\$ 2,115,611,000	\$ 2,297,080,000	\$ 2,400,250,000	\$ 2,535,005,000	\$ 2,640,250,000
Property Tax – Ex-CRA Tax Increment	100,386,000	95,900,000	111,990,000	153,800,000	143,730,000
Other Taxes <sup>(2)</sup>	2,564,605,000	2,424,603,000	2,442,702,000	2,783,590,000	2,897,065,000
Licenses, Permits, Fees and Fines <sup>(3)</sup>	1,432,853,292	1,560,189,689	1,466,009,998	1,526,675,386	1,620,128,165
Intergovernmental <sup>(4)</sup>	235,600,000	224,100,000	225,819,000	229,721,000	236,502,000
Other General Fund <sup>(5)</sup>	83,994,246	50,856,187	835,848,794	180,646,799	288,661,081
Interest	36,700,000	34,613,000	20,603,000	36,610,000	77,000,000
Total General Fund Revenue	\$ 6,569,749,538	\$ 6,687,341,876	\$ 7,503,222,792	\$ 7,446,048,185	\$ 7,903,336,246
<b>General Fund Appropriations</b>					
Fire Department	\$ 682,509,340	\$ 723,143,241	\$ 737,168,351	\$ 771,870,860	\$ 826,191,237
Police Department	1,676,632,617	1,796,387,613	1,702,988,343	1,803,434,641	1,785,894,868
Other Budgetary Departments	971,170,179	886,359,305	1,042,389,720	1,097,320,359	1,222,282,938
Tax and Revenue Anticipation Notes <sup>(6)</sup>	1,302,296,587	1,323,536,029	1,333,686,071	1,336,147,626	1,373,059,172
Capital Finance Administration <sup>(7)</sup>	223,750,313	211,750,313	224,436,534	228,856,646	178,053,731
Human Resources Benefits	743,564,377	800,593,969	774,377,710	805,331,098	861,864,205
Other General Fund Appropriations	969,826,125	945,571,406	1,688,176,063	1,403,086,955	1,655,990,095
Total General Fund Appropriations	\$ 6,569,749,538	\$ 6,687,341,876	\$ 7,503,222,792	\$ 7,446,048,185	\$ 7,903,336,246

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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, which are described under “MAJOR GENERAL FUND REVENUE SOURCES.”

<sup>(4)</sup> Intergovernmental revenues include proprietary departments’ transfers.

<sup>(5)</sup> Other General Fund receipts include grant receipts, tobacco settlement, transfers from the Special Parking Revenue Fund, and any transfers from the Reserve Fund or the BSF. For 2021-22, this item includes one-time revenues from ARPA.

<sup>(6)</sup> 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 “RETIREMENT AND PENSION SYSTEMS.” Interest due on the TRAN is also included in this line item.

<sup>(7)</sup> 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 May 2023 to reflect the Fiscal Year 2023-24 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 a budget gap in Fiscal Year 2024-25 with a surplus in Fiscal Years 2025-26 through 2027-28. Any budget gap is addressed with the adoption of the budget in future fiscal years.]

Significant assumptions used by the City in the development of the most recent Outlook include the following:

- Revenues will increase moderately each year. Projected increases range from 2.2 percent to 4.0 percent. The Outlook does not assume the occurrence of a recession, continuing extraordinary inflation or a new outbreak of a COVID-19 variant that prompts the reissuing of stay-at-home orders and a resulting economic downturn.

- Expenditures reflect major expenses known at the time of preparation of the Outlook.
- The City’s contributions rates are based on information calculated by the systems’ actuary. The Board of Commissioner for LACERS and LAFPP have adopted an assumed investment rate of return of 7.0 percent. In May 2023, the LAFPP Board adopted a new set of economic and demographic assumptions and retained the 7.0 percent investment rate of return. The LACERS Board is expected to reconsider its economic and demographic assumptions during the summer of 2023. The impacts of future assumption changes on the City contribution to the Retirement Systems are not included in the Outlook. As of May 2023 on a preliminary, unaudited basis, the rate of return for Fiscal Year 2022-23 was approximately 5 percent for both LACERS and LAFPP. If the annual rate of return falls short of the assumption, all else being equal, the City’s contributions in future years will exceed the amounts that the Outlook projects. See “RETIREMENT AND PENSION SYSTEMS.”
- The Outlook does not assume any increases in employee compensation arising from labor agreements beyond those currently in place, and “natural” cost growth from such events as promotions and salary step-increases. Most current agreements expire in Fiscal Year 2023-24. New labor agreements are likely to increase salary and pension 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, the Convention Center expansion project, acceleration of the sidewalk access ramp program, restoration of the Los Angeles River, or mitigation of stormwater pollution, which the City has yet to approve. The Fiscal Year 2024-25 amount deletes funding for one-year projects. The Outlook assumes capital and technology funding in future years at the amount required to meet the policy spending level of 1.5 percent of General Fund revenue. See “BUDGET AND FINANCIAL OPERATION—Capital Program.”
- The Outlook does not assume the continuation of large one-time expenditures related to homelessness. This includes the \$250 million for the City’s “Inside Safe” program, which the Outlook assumes will partially continue in 2024-25 and then end, and the \$20 million for additional homeless services budgeted for Fiscal Year 2023-24, which the Outlook assumes will not continue in future years.
- The Outlook assumes the City will pay \$100 million per year in litigation losses. Actual payments may exceed that amount. See “—Risk Management and Retention Program” and “LITIGATION.”

While the City believes that the assumptions used in the development of the Outlook are reasonable, actual results will likely differ, and such differences may be material and adverse. There can be no assurance circumstances not reflected in the Outlook will not arise which could materially adversely impact the financial condition of the City.

Following is a summary presentation of the Outlook.

**Table 3B**  
**GENERAL FUND BUDGET OUTLOOK SUMMARY**  
**As prepared and updated in connection with the Fiscal Year 2023-24 Adopted Budget**  
**(\$ in millions)**

	<i>Adopted</i> <b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
<b>ESTIMATED GENERAL FUND REVENUE</b>					
General Fund Base <sup>(1)</sup>	\$7,446.0	\$7,903.3	\$8,079.0	\$8,385.0	\$8,631.0
<u>Incremental Revenue Growth:</u>					
Property Related Taxes	(4.6)	177.2	153.5	176.5	183.8
Business and Sales Taxes	79.8	53.4	57.8	54.8	51.8
Departmental Receipts	90.4	57.8	66.1	69.2	72.4
Other Fees, Taxes, and Transfers <sup>(2)</sup>	291.7	(112.7)	28.6	(54.5)	38.4
<b>Total Revenue</b>	<b>\$7,903.3</b>	<b>\$8,079.0</b>	<b>\$8,385.0</b>	<b>\$8,631.0</b>	<b>\$8,977.4</b>
General Fund Revenue Increase %	6.1%	2.2%	3.7%	2.9%	4.0%
General Fund Revenue Increase \$	\$457.3	\$175.7	\$306	\$246.0	\$346.4
<b>ESTIMATED GENERAL FUND EXPENDITURES</b>					
General Fund Base <sup>(1)</sup>	\$7,446.0	\$7,903.3	\$8,147.2	\$8,150.9	\$8,249.8
<u>Incremental Expenditure Growth:</u>					
Employee Compensation Adjustments	111.8	154.5	59.5	60.7	73.5
City Employees' Retirement System	39.3	109.7	(20.0)	37.4	25.6
Fire and Police Pensions	(23.6)	26.4	(118.3)	2.1	9.3
Benefits	56.6	40.3	37.4	40.8	44.6
Debt Service	(50.8)	7.5	(1.7)	6.5	(12.2)
Net-Other Additions and Deletions <sup>(3)</sup>	324	(94.5)	46.8	(48.6)	42.4
<b>Total Expenditures</b>	<b>\$7,903.3</b>	<b>\$8,147.2</b>	<b>\$8,150.9</b>	<b>\$8,249.8</b>	<b>\$8,433.0</b>
Expenditure Growth (Reduction) %	6.1%	3.1%	0.0%	1.2%	2.2%
Expenditure Growth (Reduction) \$	\$457.3	\$243.9	\$3.7	\$98.9	\$183.2
<b>REVENUES OVER (BELOW) EXPENDITURES</b>	<b>\$ --</b>	<b>\$(68.2)</b>	<b>\$234.1</b>	<b>\$381.2</b>	<b>\$544.4</b>

<sup>(1)</sup> Based on prior year revenues and expenditures.

<sup>(2)</sup> Growth in Fiscal Year 2023-24 average historical growth, not increased for inflation. Reduction in Fiscal Year 2024-25 reflects deduction of Fiscal Year 2023-24 transfer from Reserve Fund of \$136.4 million. Reduction in Fiscal Year 2026-27 reflects completion of COVID-related payments from FEMA.

<sup>(3)</sup> Fiscal Year 2023-24 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 785 regular authority positions, increased appropriations to Recreation and Parks, the Library, and increased expenditures for hotel development incentive agreements. Fiscal Year 2023-24 also 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, hotel development incentive agreements, the recycling incentives program, Police vehicles, and increased appropriations to Recreation and Parks and the Library. The negative expenditure in Fiscal Year 2026-27 reflects, in part, reductions to the appropriation of FEMA reimbursements, which the Outlook assumes will reduce concurrently.

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 ("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 (which were used as revenue replacement to fund general government services) and the general recovery of City revenues to pre-pandemic levels facilitated the growth of budgetary reserves in Fiscal Year 2021-22, and the City exceeded this goal in the Fiscal Year 2022-23 and the Fiscal Year 2023-24 Adopted Budgets.

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 Fiscal Year 2023-24 Adopted Budget, the growth rate used to determine BSF contributions was calculated to be 4.3 percent, based on the 20-year historical average of these tax revenues.

Under the BSF Financial Policy, excess projected revenue in the Fiscal Year 2023-24 Adopted Budget is \$25.9 million, which is not enough growth to trigger a required appropriation to the BSF. Nonetheless, the Adopted Budget includes a \$2.1 million transfer to the BSF and it is expected to begin the year with a balance of \$196.8 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 Fiscal Year 2023-24 Adopted Budget includes allocations of [\$30 million] as a Reserve for Mid-Year Adjustments (considered part of the City's General Fund Reserves), \$20 million as a Reserve for Extraordinary Liability, and \$42 million as



a contingency reserve for anticipated reimbursements from the Federal Emergency Management Agency (“FEMA”), which could be delayed. If these reimbursements from FEMA are paid during Fiscal Year 2023-24, the Fiscal Year 2023-24 Adopted Budget intends that a portion of these funds will be used to increase the Reserve Fund balance. [As in all years, the UB contains allocations for a number of other potential expenditures, including \$15 million for the “Acquisition for Interim and Permanent Housing,” to finance the acquisition of interim housing beds to support individuals experiencing homelessness, \$4.6 million to fund LAHSA homeless engagement teams, and \$6 million to fund accessible housing retrofitting costs. The UB budget for Fiscal Year 2023-24 also proposes \$14.1 million to pay expenses of the 2023 special runoff election and the March 2024 primary election.]

The City adopted a revision to its Financial Policies in January 2020 to add the stated goal of maintaining the cumulative value of its General Fund Reserves at an amount equal to at least 10 percent of all General Fund revenues anticipated for that fiscal year in the Adopted Budget. Based on the estimated Reserve Fund balance as of July 1, 2023, the City will begin Fiscal Year 2023-24 with budgetary General Fund Reserves totaling 10.1 percent of budgeted General Fund revenues.

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 Fund. 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 4**  
**HISTORICAL RESERVE FUND BALANCE AS OF JULY 1**  
**Adopted Budget and Actual**  
**(Cash Basis; \$ in millions)**

	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>
<b>Adopted Budget</b>										
Emergency Reserve	\$ 141.3	\$ 148.8	\$ 153.4	\$ 160.2	\$ 170.2	\$ 180.7	\$ 183.9	\$ 206.4	\$ 204.8	\$ 217.3
Contingency	<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>	<u>350.2</u>
	\$ 284.1	\$ 313.4	\$ 334.9	\$ 298.3	\$ 350.9	\$ 410.4	\$ 243.3	\$ 509.9	\$ 477.5	\$ 567.5
Total Budgeted General Fund Revenues	\$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	\$ 7,903.3
Reserve Fund Balance as % of Budgeted General Fund Revenues	5.53%	5.79%	6.01%	5.12%	5.67%	6.25%	3.64%	6.80%	6.41%	7.18%
Budget Stabilization Fund (BSF)	\$ 64.4	\$ 91.5	\$ 92.4	\$ 95.1	\$ 107.3	\$ 113.9	\$ 116.6	\$ 118.0	\$ 192.1	\$ 196.8
Reserves for Mid-Year in UB	<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>	<u>30.0</u>
Total General Fund Budget Reserves	\$ 369.2	\$ 421.9	\$ 442.3	\$ 413.3	\$ 478.6	\$ 559.4	\$ 390.0	\$ 642.8	\$ 693.9	\$ 794.3
% of Budgeted General Fund Revenues	7.19%	7.80%	7.93%	7.09%	7.73%	8.51%	5.83%	8.57%	9.32%	10.05%
<b>Actual</b>										
Emergency Reserve	\$ 141.3	\$ 148.8	\$ 153.3	\$ 160.2	\$ 170.2	\$ 180.7	\$ 183.9	\$ 206.3	\$ 204.8	
Contingency	<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>	<u>396.9</u>	
	\$ 383.0	\$ 442.6	\$ 334.2	\$ 354.5	\$ 345.8	\$ 407.2	\$ 262.5	\$ 647.0	\$ 601.7	
Reserve Fund Balance as % of Budgeted General Fund Revenues	7.45%	8.18%	5.99%	6.08%	5.59%	6.20%	3.93%	8.62%	8.08%	

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 BSF. 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 Fiscal Year 2023-24 Adopted Budget satisfies this policy by allocating \$245 million in one-time revenues toward \$488 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 Fiscal Year 2023-24 Adopted Budget complies with this policy by providing \$160 million in General Fund capital and technology spending, equivalent to 2.02 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."

## 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.

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. 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.

**Table 5**  
**LIABILITY CLAIMS PAID<sup>(1)</sup>**  
**(\$ in millions)**

<i>Fiscal Year</i>	<i>Total Amount Budgeted</i>				<i>Total Claims Paid</i>
	<i>General Fund<sup>(2)</sup></i>	<i>Special Funds</i>	<i>Unappropriated Balance</i>	<i>Total</i>	
2019-20	\$80.0	\$10.5	\$20.0	\$110.5	\$126.9
2020-21	80.0	7.9	-	87.9	87.3
2021-22	80.0	7.4	23.9	111.3	111.3
2022-23 Estimated	80.0	7.4	20.0	107.4	[175.5] <sup>(3)</sup>
2023-24 Adopted Budget	80.0	7.4	20.0	107.4	N/A

<sup>(1)</sup> Cash basis. Does not include Workers’ Compensation claims paid by the City; see Table 6. 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.

<sup>(2)</sup> Excludes appropriation in the UB as a “Reserve for Extraordinary Liabilities.”

<sup>(3)</sup> Increase from budget due to [\$65 million] payment from the Sewer Construction and Maintenance Fund, primarily relating to the sewage spill at the Hyperion Water Reclamation Plant. See “OTHER MATTERS—Clean Water Compliance—*Hyperion Water Reclamation Plant Sewage Spill*.”

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, 2022, estimated the amount of tort and non-tort liabilities that were “probable” of occurring at approximately \$708.9 million. In addition, and as reported in the City’s ACFR, the City Attorney, as of June 30, 2022, estimated that certain other pending lawsuits and claims have a “reasonable possibility” of resulting in additional liability totaling \$63.0 million. See “LITIGATION” for a discussion of certain recently completed, pending or threatened litigation matters involving the City.

Also, as of June 30, 2022, the City estimated its workers’ compensation liability at \$2.0 billion; see Table 6 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 major natural disaster to adequately address the emergency and maintain the cash flow needed to pay City obligations. 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 6**  
**HUMAN RESOURCES BENEFITS<sup>(1)</sup>**  
**(\$ in thousands)**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23 Estimated</b>	<b>2023-24 Adopted Budget</b>
Civilian FLEX Program <sup>(2)</sup>	\$ 291,509	\$ 308,627	\$ 292,711	\$ 306,756	\$ [338,125]
Contractual Services	23,430	22,494	24,191	32,681	33,965
Employee Assistance Program	1,369	1,915	1,675	1,828	1,844
Fire Health and Welfare Program	58,938	61,875	62,066	66,456	69,730
Police Health and Welfare Program	157,451	158,385	158,007	160,456	163,972
Supplemental Civilian Union Benefits	5,544	6,446	5,830	6,086	6,228
Unemployment Insurance	1,961	9,295	2,769	2,175	3,000
Workers' Compensation/Rehabilitation	<u>203,356</u>	<u>215,915</u>	<u>219,801</u>	<u>239,432]</u>	<u>245,000</u>
<b>Total</b>	<b>\$ 743,558</b>	<b>\$ 784,951</b>	<b>\$ 767,052</b>	<b>\$ 815,870</b>	<b>\$ 861,864</b>

(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, Finance and Innovation Committee, and the chairperson of the Council's Personnel, Audits and Hiring 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 45 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. See "RETIREMENT AND PENSION SYSTEMS."

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 impacted the City's General Fund. The renegotiated terms focused primarily on deferring previously scheduled wage increases. Following the receipt of federal COVID-19 funding, the MOUs were reopened. The Fiscal Year 2022-23 Adopted Budget allocated \$93 million in the UB in connection with such renegotiations. Most of the current fiscal year costs are expected to be absorbed out of existing departmental budgets and as a result, the Fiscal Year 2023-24 Adopted Budget reappropriates \$73 million of this amount to Fiscal Year 2023-24 to partially address unbudgeted compensation adjustments that may be negotiated to go into

effect during Fiscal Year 2023-24. All of the MOUs expire in 2023 or 2024; the Fiscal Year 2023-24 Adopted Budget does not include new funding to address potential increased costs associated with the MOU negotiations.

Due to high vacancy rates in many departments, most of the Fiscal Year 2022-23 costs associated with these labor agreements were absorbed within existing departmental budgets.

All of the current MOUs expire in 2023 or 2024; the Fiscal Year 2023-24 Adopted Budget and the Outlook do not include potential increased costs associated with the MOU negotiations. However, since staffing at most City departments is currently below the levels contemplated in the Fiscal Year 2023-34 Adopted Budget, the City anticipates that a significant portion of any increased costs resulting from the renegotiated MOUs will be absorbed in existing departmental budgets. In addition, the Fiscal Year 2023-24 Adopted Budget reflects approximately \$\_\_\_ available in the UB, which could potentially be used for any additional costs.

For a number of years, the City has accumulated liability for banked Police Department (“LAPD”) uncompensated overtime, valued at approximately \$135.2 million as of May 6, 2023. 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 following table summarizes the membership and status of the largest unions and employee associations.

**Table 7**  
**STATUS OF LABOR CONTRACTS**  
**LARGEST EMPLOYEE ORGANIZATIONS**

<i><b>Organization</b></i>	<i><b>Employees Represented<sup>(1)</sup></b></i>	<i><b>Number of Bargaining Units</b></i>	<i><b>Status of Memorandum of Understanding</b></i>	<i><b>Base Wage Adjustments<sup>(3)</sup></b></i>
Los Angeles Police Protective League <sup>(2)</sup>	8,928	1	[Contract expires 6/30/23]	[4.5% effective 9/1/19 1.5% effective 7/5/20 3.25% effective 1/17/21 3% effective 1/1/23 <sup>(4)</sup> 1.5% effective 1/1/23 <sup>(4)</sup> ]
United Firefighters of Los Angeles City	3,363	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 <sup>(5)</sup>
Coalition of LA City Unions	23,160	21	Contracts expire 12/30/23	3.0% effective 1/1/23 5% cash payment 7/26/23
Engineers and Architects Association	5,548	4	Contracts expire 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 <sup>(5)</sup>
Municipal Construction Inspectors Association	856	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 <sup>(5)</sup>

<sup>(1)</sup> Total full-time and part-time employees in all departments except DWP, as of May 8, 2023.

<sup>(2)</sup> The Los Angeles Police Protective League and the City reached a tentative agreement to restore previously deferred wages in cash, increase the City's healthcare subsidy for the 2022-23 health plan year (starting July 1, 2022), and shorten the term of the extended MOU by one year to now end on July 1, 2023, subject to Council approval.

<sup>(3)</sup> Adjustments for the term covered by the specific MOU.

<sup>(4)</sup> The renegotiated MOU deferred two salary increases to the same date. Both increases are shown here separately.

<sup>(5)</sup> 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. The 2023-24 Adopted Budget authorized the hiring of 980 police officers. Given the challenging recruitment environment, the Mayor and Council appropriated funding for 800 police officers in the LAPD's budget and additional funding for 180 police officers in the Unappropriated Balance.

**Table 8**  
**AUTHORIZED CITY STAFFING<sup>(1)</sup>**

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24 Adopted Budget</i>
<b>Sworn</b>					
Police	10,552	10,554	10,557	10,557	10,597
Fire	<u>3,382</u>	<u>3,416</u>	<u>3,424</u>	<u>3,510</u>	<u>3,520</u>
Subtotal Sworn	13,934	13,970	13,981	14,067	14,117
<b>Civilian</b>					
Police	3,454	3,451	3,187	3,292	3,321
Fire	406	415	380	392	415
All Others	<u>16,378</u>	<u>16,795</u>	<u>16,014</u>	<u>16,670</u>	<u>17,353</u>
Subtotal Civilian	20,238	20,661	19,581	20,354	21,089
<b>Total</b>	<b>34,172</b>	<b>34,631</b>	<b>33,562</b>	<b>34,421</b>	<b>35,206</b>

<sup>(1)</sup> As authorized in the Adopted Budget. Includes permanent ("regular") positions and excludes temporary personnel (also referred to as "resolution authority positions"), which total 3,568 for Fiscal Year 2023-24. Also excludes personnel of the departments of Airports, Harbor, DWP, LACERS and LAFPP.

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

### **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 9**  
**POOLED INVESTMENTS**  
**Portfolio Characteristics**  
**as of March 31, 2023**

[check for updates prior to posting]

<i>Portfolio Funds</i>	<i>Amount of Funds at Market Value</i>	<i>Percent of Investment Pool</i>	<i>Effective Yield</i>	<i>Average Weighted Maturity</i>
Core Portfolio	\$ 5,593,196,934	37.7%	4.00%	103 Days
Reserve Portfolio	6,813,969,719	45.9	1.99	2.9 Years
Extended Reserve Portfolio	<u>2,437,023,226</u>	<u>16.4</u>	<u>1.93</u>	<u>6.9 Years</u>
<b>Total Investment Pool</b>	<b>\$ 14,844,189,879</b>	<b>100.0%</b>	<b>2.74%</b>	<b>2.6 Years</b>

Source: City of Los Angeles, City Treasurer.

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

**Table 10**  
**POOLED INVESTMENT FUND**  
**GENERAL POOL**  
**As of March 31, 2023**

[check for updates prior to posting]

<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>	<i>Percent of Total Funds (Market Value)</i>	<i>Average Days</i>
Bank Deposits <sup>(1)</sup>	\$ 5,000,225	\$ 5,000,225	0.03%	0
Money Market Funds	98,117,317	98,117,317	0.66	0
LAIF (State of California)	<u>4,055,172</u>	<u>4,055,172</u>	<u>0.03</u>	<u>0</u>
Subtotal: Cash and Overnight Investments	\$ 107,172,714	\$ 107,172,714	0.72%	0
Commercial Paper	\$ 2,213,106,000	\$ 2,195,093,684	14.79%	58
Negotiable Certificates of Deposit	167,000,000	166,831,150	1.12	32
Corporate Notes	262,500,000	257,573,475	1.74	207
U.S. Agencies/Munis/Supras	1,350,204,000	1,340,812,940	9.03	66
U.S. Treasuries	<u>1,546,500,000</u>	<u>1,525,712,970</u>	<u>10.28</u>	<u>198</u>
Subtotal: Pooled Investments	\$ 5,539,310,000	\$ 5,486,024,220	36.96%	105
Total Short-Term Core Portfolio	\$ 5,646,482,714	\$ 5,593,196,934	37.68%	103
Money Market Funds	\$ 833,773	\$ 833,773	0.01%	0
Commercial Paper	0	0	0.00	0
Negotiable Certificates of Deposit	0	0	0.00	0
Corporate Notes	1,465,500,000	1,402,303,413	9.45	986
Asset-Backed Securities	332,340,190	322,711,310	2.17	1,275
U.S. Agencies/Munis/Supras	671,540,000	629,296,969	4.24	1,316
U.S. Treasuries	<u>7,400,000,000</u>	<u>6,895,847,480</u>	<u>46.45</u>	<u>1,551</u>
Total Long-Term Reserve Portfolios	\$ 9,870,213,963	\$ 9,250,992,945	62.32%	1,440
<b>Total Cash and Pooled Investments</b>	<b>\$ 15,516,696,677</b>	<b>\$ 14,844,189,879</b>	<b>100.00%</b>	<b>936</b>

<sup>(1)</sup> Collected balance for Wells Fargo and JPMorgan Chase 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 August 31, 2022, the CAO released an updated Five-Year Capital and Technology Improvement Program ("CTIP"). 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 (referred to as watershed management), 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.

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 2022-23 and anticipated funding amounts for Fiscal Years 2023-24 through 2026-27, 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: Risk to Health and Safety; Compliance with Legal, Regulatory, or other policy Mandated Requirements; Resilience and Sustainability; Impact to City Operations, Asset Condition, Annual Recurring Costs and Asset Longevity; and Equitable Community Investment and Economic Considerations. See also "OTHER MATTERS—Environmental and Social Considerations.

The City expects to update the August 2022 CTIP later in 2023. The following tables summarize the CTIP by project type and funding source, as of August 2022. The information in the table has not been updated to reflect actual expenditures in Fiscal Year 2022-23. Actual Fiscal Year 2023-23 expenditures are estimated to

be materially less than the amounts set forth in the table for a variety of reasons, including reduced staffing levels at City departments as well as the overall challenging construction bidding environment.

**Table 11**  
**CAPITAL AND TECHNOLOGY IMPROVEMENT PLAN**  
**BY ASSET CATEGORIES**

	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>	<i>2026-27</i>	<i>Future Years</i>	<i>Total</i>
<b>Municipal Facilities</b>							
Deferred Maintenance	\$ 22,118,330	\$ 22,551,670	\$ 22,500,000	\$ 22,500,000	\$ 22,500,000	\$ -	\$ 112,170,000
Office Development and Capital Program	18,502,819	47,825,000	37,875,000	28,375,000	27,675,000	-	160,252,819
Public Safety Facilities and Security Upgrades	11,765,000	6,111,250	26,930,000	3,530,000	3,530,000	-	51,866,250
Recreation and Cultural Facilities	58,640,356	222,261,299	82,407,692	94,566,806	91,887,299	-	549,763,452
Seismic & Bridge Improvements, Yards and Shops	42,767,912	66,347,829	33,081,052	29,049,641	29,681,164	28,390,582	229,318,180
Los Angeles Convention Center	21,755,000	5,010,000	3,390,000	2,350,000	1,370,000	-	33,875,000
Other	13,966,121	8,177,535	330,487	330,487	330,487	-	23,135,117
Subtotal	<b>\$ 189,515,538</b>	<b>\$ 378,284,583</b>	<b>\$ 206,514,231</b>	<b>\$ 180,701,934</b>	<b>\$ 176,973,950</b>	<b>\$ 28,390,582</b>	<b>\$ 1,160,380,818</b>
<b>Physical Plant</b>							
Clean Water Projects	\$ 305,485,431	\$ 461,867,897	\$ 438,309,221	\$ 294,571,005	\$ 264,634,825	\$ 1,016,428,514	\$ 2,781,296,893
Watershed Management Projects	37,470,985	68,418,682	43,810,180	24,584,341	16,636,700	-	190,920,888
Street Projects	473,314,713	409,932,767	395,890,947	307,526,137	721,344,984	-	2,308,009,548
Street Lighting Projects	5,660,000	975,000	925,000	925,000	925,000	-	9,410,000
Subtotal	<b>\$ 821,931,129</b>	<b>\$ 941,194,346</b>	<b>\$ 878,935,348</b>	<b>\$ 627,606,483</b>	<b>\$ 1,003,541,509</b>	<b>\$ 1,016,428,514</b>	<b>\$ 5,289,637,329</b>
<b>Technology</b>							
Citywide Infrastructure	\$ 5,854,026	\$ 23,045,316	\$ 18,860,009	\$ 38,988,605	\$ 17,729,502	\$ 14,350,000	\$ 118,827,458
Major Projects and System Replacements	39,468,866	43,812,167	32,748,880	19,215,636	9,181,736	12,162,964	156,590,249
Subtotal	<b>\$45,322,892</b>	<b>\$66,857,493</b>	<b>\$51,608,889</b>	<b>\$58,204,241</b>	<b>\$26,911,238</b>	<b>\$26,512,964</b>	<b>\$275,417,707</b>
<b>TOTAL - ALL PROJECTS</b>	<b>\$ 1,056,769,559</b>	<b>\$ 1,386,336,412</b>	<b>\$ 1,137,058,468</b>	<b>\$ 866,512,658</b>	<b>\$ 1,207,426,697</b>	<b>\$ 1,071,332,060</b>	<b>\$ 6,725,435,854</b>

Source: City of Los Angeles, Capital and Technology Improvement Program, 2022-23 to 2026-27, released August 2022.

**Table 12**  
**CAPITAL AND TECHNOLOGY IMPROVEMENT PLAN**  
**BY FUNDING SOURCE**

	<i>2022-23</i>	<i>Future Cost</i>	<i>Total</i>
<b>Municipal Facilities</b>			
General Fund	\$ 30,593,150	\$ 255,736,182	\$ 286,329,332
Lease Revenue Bonds	125,094,559	558,546,786	683,641,345
Special Funds	<u>33,827,829</u>	<u>156,582,312</u>	<u>190,410,141</u>
Subtotal	\$ 189,515,538	\$ 970,865,280	\$ 1,160,380,818
<b>Physical Plant</b>			
General Fund	\$ 71,086,561	\$ 212,520,988	\$ 283,607,549
Lease Revenue Bonds	-	13,431,282	13,431,282
Special Funds <sup>(1)</sup>	<u>750,844,568</u>	<u>4,241,753,930</u>	<u>4,992,598,498</u>
Subtotal	\$ 821,931,129	\$ 4,467,706,200	\$ 5,289,637,329
<b>Technology</b>			
General Fund	\$ 25,065,243	\$ 133,294,815	\$ 158,360,058
Lease Revenue Bonds	5,200,000	-	5,200,000
Special Funds	<u>15,057,649</u>	<u>96,800,000</u>	<u>111,857,649</u>
Subtotal	\$ 45,322,892	\$ 230,094,815	\$ 275,417,707
<b>All Programs</b>			
General Fund	\$ 126,744,954	\$ 601,551,985	\$ 728,296,939
Lease Revenue Bonds	130,294,559	571,978,068	702,272,627
Special Funds	<u>799,730,046</u>	<u>4,495,136,242</u>	<u>5,294,866,288</u>
<b>Total</b>	<b>\$ 1,056,769,559</b>	<b>\$ 5,668,666,295</b>	<b>\$ 6,725,435,854</b>

<sup>(1)</sup> Includes the proceeds of wastewater revenue bonds and general obligation bonds.

Source: City of Los Angeles, Capital and Technology Improvement Program, 2022-23 to 2026-27, released August 2022.

A number of large infrastructure projects the City is considering 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 expenditure could include development of approximately 3.5 million square feet of housing and approximately 1.5 million square feet of City office space within the City's civic center. The potential civic center masterplan project is currently in the request for proposals process. 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. See "OVERVIEW OF THE CITY'S FINANCIAL CONDITION—Certain Significant Challenges – Street and Sidewalks Maintenance; Americans With Disabilities Act Compliance."

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 2019-20, 2020-21, and 2021-22, estimated revenues for Fiscal Year 2022-23 and budgeted revenues for Fiscal Year 2023-24.

**Table 13**  
**GENERAL FUND RECEIPTS<sup>(1)</sup>**  
**(\$ in thousands)**

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23 Estimated</i>	<i>2023-24 Adopted Budget</i>	<i>% of 2023-24 Budget</i>
Property Tax	\$ 2,132,308	\$ 2,261,356	\$ 2,323,454	\$ 2,549,638	\$ 2,640,250	33.4%
Property Tax Increment (Former CRA/LA)	84,054	128,042	120,479	131,103	143,730	1.8
Departmental Receipts	1,198,296	1,257,516	1,154,263	1,253,642	1,363,324	17.2
Business Tax	655,849	692,386	757,601	810,000	847,200	10.7
Sales Tax	556,237	524,618	687,299	718,655	724,230	9.2
Utility Users Tax	638,379	615,238	638,151	705,160	650,490	8.2
Documentary Transfer Tax	205,473	235,922	308,805	224,725	198,610	2.5
Transient Occupancy Tax	253,539	110,427	239,124	307,810	342,430	4.3
Power Revenue Transfer	229,913	218,355	225,015	232,043	236,502	3.0
Parking Fines	114,865	93,347	110,273	107,000	115,000	1.5
Grants Receipts	18,398	43,690 <sup>(2)</sup>	40,527 <sup>(3)</sup>	129,275	109,193	1.4
Franchise Income <sup>(6)</sup>	84,020	84,303	105,971	152,445	137,810	1.7
Parking Occupancy Tax	106,979	58,844	101,055	123,000	129,195	1.6
Interest Income	46,429	27,112	28,514	53,000	77,000	1.0
Special Parking Revenue Transfer	31,294	-	8,477	30,426	32,388	0.4
Tobacco Settlement	10,178	11,489	11,810	10,710	10,710	0.1
Residential Development Tax	4,821	4,392	4,866	5,070	4,910	0.1
State Motor Vehicle License Fees	3,198	2,942	4,532	3,994	3,994	0.1
American Rescue Plan Transfer	-	639,450	639,483	-	-	-
Subtotal General Fund Revenues	\$ 6,374,231	\$ 7,009,427	\$ 7,509,700	\$ 7,547,695	\$ 7,766,966	
Reserve Fund Transfer	195,465	-	85,090	16,648	136,370	1.7%
<b>Total General Fund</b>	<b>\$ 6,569,696</b>	<b>\$ 7,009,427</b>	<b>\$ 7,594,790</b>	<b>\$ 7,564,344</b>	<b>\$ 7,903,336</b>	

<sup>(1)</sup> Cash basis. Totals may not add due to total independent rounding.

<sup>(2)</sup> Includes \$30.7 million in FEMA reimbursement.

<sup>(3)</sup> Includes \$29.4 million in FEMA reimbursement.

<sup>(4)</sup> Includes \$110.1 million in FEMA reimbursement.

<sup>(5)</sup> Includes \$80.4 million in FEMA reimbursement.

<sup>(6)</sup> See "LITIGATION—*Apartment Owners Association of Ca. v. City of Los Angeles.*"

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

Both the Fiscal Year 2020-21 and the Fiscal Year 2021-22 actual revenues reflect 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 14**  
**ASSESSED VALUATION<sup>(1)</sup>**

	2018	2019	2020	2021	2022
Locally Assessed					
Land	\$ 329,102,259,292	\$ 352,506,933,714	\$ 375,613,820,236	\$ 394,598,572,212	\$ 424,716,322,981
Improvements	280,224,446,180	299,590,583,910	319,689,264,560	332,201,374,517	349,641,071,472
Personal Property	3,299,927,802	4,020,257,586	3,997,131,756	4,019,429,073	3,911,428,589
Less: Exemptions <sup>(2)</sup>	<u>23,950,069,180</u>	<u>26,571,608,102</u>	<u>26,822,209,552</u>	<u>29,365,270,443</u>	<u>27,781,247,158</u>
Total Locally Assessed	\$ 588,676,564,094	\$ 629,546,167,108	\$ 672,478,007,000	\$ 701,454,105,359	\$ 750,487,575,884
Public Utilities <sup>(3)</sup>	40,022,411	42,153,347	66,084,991	73,778,428	74,459,382
Unsecured Valuations	<u>22,575,613,220</u>	<u>23,370,052,850</u>	<u>23,469,028,925</u>	<u>22,238,902,102</u>	<u>23,901,652,243</u>
Total Revenue-Producing Valuations	\$ 611,292,199,725	\$ 652,958,373,305	\$ 696,013,120,916	\$ 723,766,785,889	\$ 774,463,687,509
Change from Prior Year	7.6%	6.8%	6.6%	4.0%	7.0%

<sup>(1)</sup> 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.

<sup>(2)</sup> Exclusive of the Homeowner Exemption, which is reimbursed by the State.

<sup>(3)</sup> Assessed by the State Board of Equalization.

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. Variance between the rate of change in property tax receipts summarized in the table below and the rate of change in assessed valuation summarized above 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 15**  
**PROPERTY TAX - ALL SOURCES<sup>(1)</sup>**  
**Annual Property Tax by Account**  
**(\$ in thousands)**

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23 Estimated</i>	<i>2023-24 Adopted Budget</i>
Secured	\$ 1,528,635	\$ 1,612,184	\$ 1,645,439	\$ 1,824,288	\$ 1,887,660
Unsecured	59,230	57,782	60,641	65,648	67,320
Homeowner Exemption	7,941	7,771	7,776	7,712	7,640
Supplemental	39,039	40,469	49,783	52,610	48,180
Redemptions	21,375	31,241	31,351	34,720	34,720
County Admin Charges	(21,153)	(22,723)	(22,868)	(23,211)	(24,210)
Refunds	(19,547)	(15,701)	(15,872)	(20,940)	(22,140)
Adjustments	911	56	(1,312)	214	-
Miscellaneous Property	<u>10,167</u>	<u>11,221</u>	<u>7,967</u>	<u>8,783</u>	<u>9,480</u>
1% Property Tax	\$ 1,626,598	\$ 1,722,300	\$ 1,762,904	\$ 1,949,823	\$ 2,008,650
Percent Change <sup>(2)</sup>	5.3%	5.9%	2.4%	10.6%	3.0%
State Vehicle License Fee	<u>505,710</u>	<u>539,055</u>	<u>560,550</u>	<u>599,815</u>	<u>631,600</u>
Replacement					
Property Tax All Sources	\$ 2,132,308	\$ 2,261,356	\$ 2,323,454	\$ 2,549,638	\$ 2,640,250
Percent Change	5.7%	6.1%	2.7%	9.7%	3.6%

(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 Fiscal Year 2022-23, appears in the table below. The tax roll for the next fiscal year is typically released in the summer.

**Table 16**  
**CITY OF LOS ANGELES**  
**TWENTY LARGEST 2022-23 SECURED PROPERTY TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>2022-23 Secured Assessed Valuation</i>	<i>Percent of Secured AV<sup>(1)</sup></i>
Douglas Emmett LLC	Office Building	\$ 2,694,073,408	0.36%
Essex Portfolio LP	Apartments	1,496,194,153	0.20
Next Century Partners LLC	Hotel	1,125,559,512	0.15
Century City Mall LLC	Shopping Center	1,112,961,754	0.15
FSP South Flower Street	Office Building	984,033,481	0.13
CJDB LLC	Shopping Center	948,049,199	0.13
Greenland LA Metropolis	Apartments with Retail	944,717,759	0.13
Anheuser Busch Commercial	Industrial	884,416,862	0.12
Hanjin International Corp	Hotel	878,077,732	0.12
Rochelle H. Sterling	Apartments	844,810,665	0.11
Onni Wilshire Courtyard LLC	Office Building	810,563,773	0.11
Valero Energy Corporation	Petroleum	755,175,124	0.10
One Hundred Towers LLC	Office Building	701,264,997	0.09
Trizec 333 LA LLC	Office Building	687,273,218	0.09
Maguire Partners 355 S. Grand LLC	Office Building	642,741,850	0.09
BRE HH Property Owner LLC	Office Building	637,804,909	0.08
Marathon Petroleum	Petroleum	630,940,359	0.08
APM Terminals Pacific Ltd.	Terminal Operations	614,119,000	0.08
Olympic and Georgia Partners LLC	Hotel	612,072,446	0.08
Tishman Speyer Archstone Smith	Apartments	611,707,343	0.08
<b>TOTAL</b>		<b>\$ 18,616,557,544</b>	<b>2.48%</b>

<sup>(1)</sup> Based on 2022-23 Local Secured Assessed Valuation of \$750,487,575,884. 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—Land Use" and "—Residential Value and Construction Activity."

### 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.

**Table 17**  
**UTILITY USERS TAX RECEIPTS<sup>(1)</sup>**  
**(\$ in thousands)**

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23 Estimated</i>	<i>2023-24 Adopted Budget</i>
Electric Users Tax	\$ 434,847	\$ 429,228	\$ 438,427	\$ 453,100	\$ 449,800
Gas Users Tax	73,837	72,752	88,539	145,160	99,610
Communications Users Tax	<u>129,695</u>	<u>113,259</u>	<u>111,185</u>	<u>106,900</u>	<u>101,080</u>
<b>Total</b>	<b>\$ 638,379</b>	<b>\$ 615,238</b>	<b>\$ 638,151</b>	<b>\$ 705,160</b>	<b>\$ 650,490</b>
Change from Prior Year	(0.9)%	(3.6)%	3.7%	10.5%	(7.8)%

<sup>(1)</sup> 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 Fiscal Year 2023-24, departmental receipts are projected to increase by \$109.7 million or 8.7 percent over Fiscal Year 2022-23 estimates, which increase is primarily attributable to special funded related costs, MTA reimbursements, and gas tax reimbursements, and is partially offset by reductions in ambulance billings, one-time reimbursements, and solid waste fee reimbursements.

The table below shows receipts from departmental receipts.

**Table 18**  
**DEPARTMENTAL RECEIPTS<sup>(1)</sup>**  
**(\$ in thousands)**

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23 Estimated</i>	<i>2023-24 Adopted Budget</i>
Ambulance Fees	\$ 94,074	\$ 80,385	\$ 100,749	\$ 140,000	\$ 119,000
Services to Dept. of Airports	86,242	93,948	89,654	79,627	90,794
Services to Harbor Dept.	39,065	44,808	40,989	45,052	47,465
Services to DWP	32,473	14,490 <sup>(2)</sup>	28,812	41,137	41,401
Services to Sewer Program	109,264	93,941	129,695	125,088	119,834
Solid Waste Fee <sup>(3)</sup>	75,427	83,042	18,621	22,629	5,133
Gas Tax Reimbursements	21,769	41,963	26,384	28,220	42,356
Services to Stormwater Fund	4,732	3,037	-	-	2,185
Special Funds Related Costs	261,845	253,725	262,110	289,761	377,866
MTA Reimbursement	105,507	86,256	65,492	90,870	135,490
One Time Reimbursements	17,577	140,397 <sup>(4)</sup>	38,617	22,719	5,333
Library Reimbursements	71,915	74,233	73,470	80,797	75,563
Recreation and Parks Reimbursements	49,287	52,813	64,725	64,725	64,725
State Mandated	7,172	3,806	3,907	3,234	2,750
Total Departmental Receipts	<u>221,947</u>	<u>190,672</u>	<u>211,038</u>	<u>219,783</u>	<u>233,429</u>
<b>Total General Fund</b>	<b>\$ 1,198,296</b>	<b>\$ 1,257,516</b>	<b>\$1,154,263</b>	<b>\$1,253,642</b>	<b>\$1,363,324</b>
Change from Prior Year	6.1%	4.9%	(8.2)%	8.6%	8.7%

<sup>(1)</sup> Cash basis. Totals may not add due to independent rounding.

<sup>(2)</sup> Reflects a credit due to prior-year overpayments.

<sup>(3)</sup> The solid waste fee does not generate full cost recovery. Accordingly, in Fiscal Years 2021-22, 2022-23, and 2023-24 the General Fund only receives partial reimbursements from the Bureau of Sanitation for overhead costs.

<sup>(4)</sup> Includes \$125 million from the Coronavirus Aid, Relief, and Economic Security Act (also known as 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 recreation 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 Fiscal Year 2023-24 Adopted Budget includes cannabis business tax revenue projected at \$110 million, representing 13.0 percent of business tax revenue.

The table below shows receipts from business tax.

**Table 19**  
**BUSINESS TAX RECEIPTS**  
**(\$ in thousands)**

<i>Fiscal Year</i>	<i>Receipts<sup>(1)</sup></i>	<i>Change from Prior Year</i>
2019-20	\$655,849	8.7%
2020-21	692,386	5.6
2021-22	757,601	9.4
2022-23 Estimated	810,000	6.9
2023-24 Adopted Budget	847,200	4.6

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<sup>(1)</sup> 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 20**  
**LOS ANGELES CITY**  
**SALES TAX COMPONENTS**  
**As of July 1, 2022**

<b><u>State Rate</u></b>		
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 \$57 million in Fiscal Year 2022-23 receipts, which are deposited in a special fund and appropriated to the Police and Fire Departments.
<b>Total State Rate</b>	<b>6.00%</b>	
<b><u>Uniform Local Tax Rate</u></b> (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.
<b>Total Uniform Local Rate</b>	<b><u>1.25%</u></b>	
<b>Total Statewide Rate</b>	<b>7.25%</b>	
<b><u>Optional Local Rates</u><sup>(1)</sup></b>		
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.
<b>Total Optional Local Rate</b>	<b><u>2.25%</u></b>	
<b>Total Sales Tax Rate</b>	<b>9.50%</b>	

<sup>(1)</sup> 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. 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 Fiscal Year 2021-22, sales tax revenues recovered sharply and have grown to higher levels than before the pandemic.

**Table 21**  
**GENERAL FUND SALES TAX RECEIPTS**  
**(\$ in thousands)**

<i>Fiscal Year</i>	<i>Receipts<sup>(1)</sup></i>	<i>Change from Prior Year</i>
2019-20	\$556,237	(4.3)%
2020-21	524,618	(5.7)
2021-22	687,299	31.0
2022-23 Estimated	718,655	4.6
2023-24 Adopted Budget	724,230	0.8

<sup>(1)</sup> 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 Fiscal Year 2007-08, and another 31 percent in Fiscal Year 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.

Documentary transfer tax revenue saw growth during the pandemic. Higher mortgage rates have placed downward pressure on sales volume and prices, resulting in a decline in 2022-23 receipts. The Fiscal Year 2023-24 Adopted Budget assumes a decline in home prices, a recovery in sales volume, and a net decline in tax receipts.

The table below presents receipts from this revenue source.

**Table 22**  
**DOCUMENTARY TRANSFER TAX RECEIPTS**  
**(\$ in thousands)**

<i>Fiscal Year</i>	<i>Receipts<sup>(1)</sup></i>	<i>Change from Prior Year</i>
2019-20	\$205,473	(0.4)%
2020-21	235,922	14.8
2021-22	308,805	30.9
2022-23 Estimated	224,725	(27.2)
2023-24 Adopted Budget	198,610	(11.6)

<sup>(1)</sup> Cash basis.

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

In November 2022, the City's voters approved ULA, a voter initiative to fund affordable housing projects and programs. ULA amends the City's present documentary transfer tax by adding a new tax, subject to certain exemptions, on the sale or transfer of real property exceeding \$5 million. Proceeds of the ULA special tax will be deposited in a special fund to be used for affordable housing projects and programs as set forth under ULA. The ULA special tax will not provide revenues to the General Fund and is not reflected in the table above. See "OVERVIEW OF THE CITY'S FINANCIAL CONDITION—Certain Significant Challenges—Homelessness," above.

## 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 Fiscal Year 2009-10.

Variances 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. A 2018 settlement in *Eck v. City of Los Angeles* 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. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 26.”

The following table shows transfers from the Power Revenue Fund. Amounts shown reflect the settlement under the *Eck* case.

**Table 23**  
**TRANSFERS FROM POWER REVENUE FUND**  
**(\$ in thousands)**

<i>Fiscal Year</i>	<i>Receipts<sup>(1)</sup></i>	<i>Change from Prior Year</i>
2019-20	\$229,913	(1.1)%
2020-21	218,355	(5.0)
2021-22	225,015	3.1
2022-23 Estimated	232,043	3.1
2023-24 Adopted Budget	236,502	1.9

<sup>(1)</sup> Cash basis.

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.

TOT revenue is very sensitive to changing conditions that affect travel and was significantly impacted by the COVID-19 pandemic. Following significant growth in Fiscal Year 2022-23, the City assumes more moderate growth for Fiscal Year 2023-24.

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 and Visitors' Bureau (also known as L.A. Tourism). The table below presents General Fund receipts from the 13 percent portion of the tax rate.

**Table 24**  
**GENERAL FUND TRANSIENT OCCUPANCY TAX RECEIPTS**  
**(\$ in thousands)**

<i>Fiscal Year</i>	<i>Receipts<sup>(1)</sup></i>	<i>Change from Prior Year</i>
2019-20	\$253,539	(20.5)%
2020-21	110,427	(56.4)
2021-22	239,124	116.5
2022-23 Estimated	307,810	28.7
2023-24 Adopted Budget	342,430	11.2

<sup>(1)</sup> Cash basis.

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

### **Parking-Related Revenues**

The City receives revenue from three different parking 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; however, Fiscal Year 2022-23 parking fine revenues are expected to come in 17.7 percent less than budgeted due to traffic officer vacancies, operational needs, and declining collections. The Fiscal Year 2023-24 Adopted Budget is based on post pandemic issuance and collection activity.

The table below shows receipts from all parking fines.

**Table 25**  
**PARKING FINES RECEIPTS**  
**(\$ in thousands)**

<i>Fiscal Year</i>	<i>Receipts<sup>(1)</sup></i>	<i>Change from Prior Year</i>
2019-20	\$114,865	(11.6)%
2020-21	93,347	(18.7)
2021-22	110,273	18.1
2022-23 Estimated	107,000	(3.0)
2023-24 Adopted Budget	115,000	7.5

<sup>(1)</sup> 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. Due to the impacts of the COVID-19 pandemic, revenues from this source fell 53 percent from Fiscal Year 2018-19 to Fiscal Year 2020-21, from \$120.9 million to \$58.9 million. The Fiscal Year 2023-24 Adopted Budget estimates \$129.2 million in revenues, which exceeds pre-pandemic levels.

**Table 26**  
**PARKING OCCUPANCY TAX RECEIPTS**  
**(\$ in thousands)**

<i>Fiscal Year</i>	<i>Receipts<sup>(1)</sup></i>	<i>Change from Prior Year</i>
2019-20	\$106,979	(11.6)%
2020-21	58,844	(45.0)
2021-22	101,055	71.7
2022-23 Estimated	123,000	21.7
2023-24 Adopted Budget	129,195	5.0

<sup>(1)</sup> 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 Fiscal Year 2020-21.

**Table 27**  
**SPECIAL PARKING REVENUE FUND TRANSFERS**  
**(\$ in thousands)**

<i>Fiscal Year</i>	<i>Receipts<sup>(1)</sup></i>	<i>Change from Prior Year</i>
2019-20	\$31,294	(2.6)%
2020-21	-	(100.0)
2021-22	8,477	N/A
2022-23 Estimated	30,426	258.9
2023-24 Adopted Budget	32,388	6.4

<sup>(1)</sup> 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 or 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 with State law. During prior State fiscal crises, the State has reallocated a portion of such revenues to assist in its own budget balancing, or taken other actions that adversely impacted the financial condition of local governments, including the City. 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."

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](http://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](http://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](http://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. There can be no assurance



that State budget actions will not materially adversely impact the City’s finances in Fiscal Year 2023-24 or thereafter.

## **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 131.

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 28**  
**APPROPRIATIONS LIMITS AND APPROPRIATIONS SUBJECT TO LIMITATION**

<i>Fiscal Year</i>	<i>City Appropriations Limit</i>	<i>Appropriations Subject to Limitations</i>	<i>Amount Appropriations Are Under Limit</i>
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	7,471,986,677	5,088,871,943	2,383,114,734
2023-24	8,004,663,462	5,395,735,126	2,608,928,336

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. The parties have mediated this matter and reached a tentative common fund settlement of \$57.5 million to resolve the entirety of the case. However, the settlement is still subject to court approval and the parties are currently working on obtaining such court approval. The settlement amount is expected to be paid from the City’s wastewater enterprise fund.

See “LITIGATION—*Apartment Owners Association of Ca. v. City of Los Angeles*” for a discussion of outstanding litigation which could invalidate the City’s franchise fee program for private commercial waste haulers.

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*, which was settled in 2018. See "MAJOR GENERAL FUND REVENUE SOURCES—Power Revenue Transfers 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.

***Initiative Measure Qualified for November 2024 Ballot – Taxpayer Protection and Government Accountability Act.*** On February 1, 2023, the California Secretary of State announced that a ballot initiative known as the “Taxpayer Protection and Government Accountability Act” (“Initiative 1935”), received the required number of signatures to appear on the November 5, 2024 ballot. If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIII A, XIII C and XIII D of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

Among other things, Initiative 1935 would amend the definition “tax” in Article XIII C to include “every levy, charge, or exaction of any kind imposed by a local law that is not an exempt charge.” Initiative 1935 defines “exempt charge” to mean a “reasonable charge for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the actual costs [as opposed to the reasonable costs] of providing the service or product to the payor.” “Exempt charges” also encompass existing exceptions from the definition of “tax” added to Article XIII C by Proposition 26, including property-related fees imposed in accordance with Article XIII D (see “—Articles XIII C and XIII D of the California Constitution – Proposition 218,” above). “Actual costs” is defined as “the minimum amount necessary to reimburse the government for the cost of providing the service or product ... less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product.” Initiative 1935 further provides that the local government adopting an exempt charge would bear the burden of proving by clear and convincing evidence (as opposed to a preponderance of the evidence) that: (a) a levy, charge or exaction is an exempt charge and not a tax; and (b) the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor. Initiative 1935 would also amend Article XIII C to provide that no local law, whether proposed by the governing body or by an elector, may impose any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote. The full definitions of the terms referenced above, along with the full text of Initiative 1935, may be viewed at the website of the California Attorney General.

Initiative 1935 is retroactive, and provides that any tax or exempt charge adopted after January 1, 2022 but prior to the effective date of Initiative 1935, which was not adopted in compliance with the requirements thereof, would be void 12 months after the effective date of Initiative 1935, unless the tax or exempt charge is reenacted in compliance with the provisions of Initiative 1935.

The City cannot predict whether Initiative 1935 will be approved at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the City cannot provide any assurances that it will not have a material adverse effect on the City’s ability to adopt or increase rates, fees, and charges for the various services provided by the City.

## **BONDED AND OTHER INDEBTEDNESS**

### **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 as of July 1, 2023.

**Table 29**  
**GENERAL OBLIGATION BONDS**  
**As of July 1, 2023**

<i>Date of Election</i>	<i>Projects</i>	<i>Amount Authorized</i>	<i>Amount Issued</i>	<i>Amount Outstanding<sup>(1)</sup></i>	<i>Amount Authorized but Unissued</i>
11/7/00	Fire, Paramedic, Helicopter and Animal Shelter Projects (Proposition F)	\$ 532,648,000	\$ 532,648,000	\$ 5,518,037	--
3/5/02	Emergency Operations, Fire, Dispatch and Police Facilities (Proposition Q)	600,000,000	600,000,000	20,593,384	--
11/2/04	Storm Water Projects (Proposition O)	500,000,000	439,500,000	137,043,579	\$ 60,500,000
11/8/16	Homelessness (Proposition HHH)	<u>1,200,000,000</u>	<u>963,985,000</u>	<u>876,525,000</u>	<u>236,015,000</u>
	<b>Total</b>	<b>\$2,832,648,000</b>	<b>\$2,536,133,000</b>	<b>\$1,039,680,000</b>	<b>\$296,515,000</b>

<sup>(1)</sup> 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. These rates in the table are representative, and show the rates in the four largest taxing areas within the City, as measured by assessed valuation.

**Table 30**  
**2021-22 TYPICAL TAX RATE PER \$100 OF ASSESSED VALUATION<sup>(1)</sup>**

Countywide 1%	1.000000%
City of Los Angeles	0.014721
Los Angeles Unified School District	0.113228
Los Angeles Community College District	0.043759
Metropolitan Water District	<u>0.003500</u>
<b>Total</b>	<b>1.175208%</b>

<sup>(1)</sup> Rates in Tax Rate Areas 00067, 00013, 00016 and 00004.  
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 31**  
**GENERAL FUND BONDED AND OTHER FINANCING LEASE OBLIGATIONS**  
**As of July 1, 2023**

<i>Series</i>	<i>Project</i>	<i>Amount Issued</i>	<i>Amount Outstanding</i>	<i>Final Maturity</i>
<b>Public Offerings</b>				
MICLA Lease Revenue Bonds, Series 2010-C (Taxable) (dated November 23, 2010)	Real Property	\$ 18,170,000	\$ 14,855,000	11/1/40
MICLA Lease Revenue Refunding Bonds, Series 2016-A (dated June 1, 2016)	Capital Equipment and Fixtures	125,235,000	57,955,000	11/1/26
MICLA Lease Revenue Refunding Bonds, Series 2016-B (dated June 1, 2016)	Real Property	685,270,000	531,430,000	11/1/39
MICLA Lease Revenue Bonds, Series 2018-A (dated February 6, 2018)	Capital Equipment and Fixtures	54,430,000	30,950,000	11/1/27
MICLA Lease Revenue Bonds, Series 2018-B (dated February 6, 2018)	Real Property	31,270,000	26,405,000	11/1/37
MICLA Lease Revenue Refunding Bonds, Series 2018-C (Taxable) (dated February 6, 2018)	Real Property	25,630,000	13,910,000	11/1/27
MICLA Lease Revenue Bonds, Series 2020-A (dated August 20, 2020)	Capital Equipment and Fixtures	84,725,000	70,990,000	11/1/30
MICLA Lease Revenue Refunding Bonds, Series 2020-B (dated August 20, 2020)	Real Property	80,850,000	58,720,000	11/1/40
MICLA Lease Revenue Refunding Bonds, Series 2020-C Taxable (dated August 20, 2020)	Real Property	102,265,000	68,275,000	11/1/41
MICLA Lease Revenue Refunding Bonds, Series 2021-A (Taxable) (dated March 4, 2021)	Capital Equipment and Real Property	177,470,000	152,840,000	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>146,460,000</u>	11/1/41
Subtotal Public Offerings		\$1,600,001,000	\$1,233,271,000	
<b>Private Placements</b>				
MICLA 2016 Streetlights Financing (dated April 5, 2016) <sup>(1)</sup>	Capital Equipment and Fixtures	26,368,864	3,521,326	4/1/24
MICLA 2017 Streetlights Financing (dated April 18, 2017) <sup>(1)</sup>	Capital Equipment and Fixtures	39,297,800	16,929,116	6/1/27
2017 Police Radios Lease Financing (dated December 22, 2017)	Vehicles and Handheld Radio	64,500,000	18,117,254	2/1/25
MICLA 2019 Streetlights Financing (dated September 30, 2019) <sup>(1)</sup>	Capital Equipment and Fixtures	17,845,461	12,250,098	6/1/29
MICLA 2020 Streetlights Financing (dated November 1, 2020) <sup>(1)</sup>	Capital Equipment and Fixtures	<u>9,088,272</u>	<u>7,432,619</u>	6/1/31
Subtotal Private Placements		<u>\$157,100,397</u>	<u>\$58,250,413</u>	
<b>Total Lease Obligations</b>		<u><b>\$1,757,101,397</b></u>	<u><b>\$ 1,291,521,413</b></u>	

<sup>(1)</sup> Payments made from the Street Lighting Maintenance Assessment Fund.  
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 March 15, 2023, \$282.9 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. [As of March 15, 2023, \$16.7 million in LACC CP was outstanding under this program.]

The City generally pays interest, letter of credit fees, and other program costs as they become due out of its own funds rather than paying from CP proceeds.

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 annual payments may not exceed the 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, 2025. 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.

**Table 32**  
**LEASE REVENUE COMMERCIAL PAPER NOTES LETTERS OF CREDIT**

<i>Series</i>	<i>LOC Provider</i>	<i>Amount of CP Supported</i>	<i>LOC Expiration</i>
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, solid waste resources, 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 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 issuances.

**Table 33**  
**[TAX AND REVENUE ANTICIPATION NOTES]**

<i><b>Fiscal Year</b></i>	<i><b>LACERS</b></i>	<i><b>Fire and Police Pensions</b></i>	<i><b>Cashflow</b></i>	<i><b>Total Par Amount</b></i>
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	627,120,000	651,180,000	295,570,000	1,573,870,000
2023-24 Estimated				

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 34**  
**NET DIRECT DEBT**  
**As of June 1, 2023**

	<i><b>Outstanding</b></i>
General Obligation Bonds	\$ 1,039,680,000
Lease Obligations <sup>(1) (2)</sup>	\$ 1,291,521,413
<b>GROSS DIRECT DEBT</b>	<b>\$ 2,331,201,413</b>
Revenue Bonds <sup>(2)</sup>	
Power Revenue (DWP) <sup>(2)</sup>	\$ 10,687,870,000
Water Revenue (DWP) <sup>(2)(3)</sup>	5,702,990,000
Department of Airports <sup>(2)</sup>	10,492,235,000
Harbor Department <sup>(2)(4)</sup>	618,480,000
Wastewater System	
Senior Revenue Bonds	869,190,000
Subordinate Revenue Bonds <sup>(2)</sup>	1,563,140,000
Solid Waste Resources Fee	<u>128,455,000</u>
Subtotal	<u>\$ 30,062,360,000</u>
<b>TOTAL CITY DEBT</b>	<b>\$ 32,393,561,413</b>
Less:	
Revenue Bonds	<u>(30,062,360,000)</u>
<b>NET DIRECT DEBT</b>	<b>\$ 2,331,201,413</b>
Plus:	
Overlapping Debt <sup>(5)</sup>	<u>\$ 14,024,709,763</u>
<b>NET OVERALL DEBT</b>	<b><u>\$ 16,355,911,176</u></b>

<sup>(1)</sup> Includes only bonded and certificated lease obligations.

<sup>(2)</sup> Does not include commercial paper.

<sup>(3)</sup> Does not include California State Revolving Fund loans. [Update with water revenue bonds closing 6/1/23.]

<sup>(4)</sup> Does not include California Boating and Waterways Notes outstanding.

<sup>(5)</sup> Overlapping debt information from California Municipal Statistics, Inc. as of June 1, 2023. See Table 42.

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

**Table 35**  
**DEBT SERVICE TO MATURITY ON DEBT PAYABLE**  
**FROM *AD VALOREM* PROPERTY TAXES<sup>(1)</sup>**  
**As of July 1, 2023**

<i>Fiscal Year</i>	<i>Principal</i>	<i>General Obligation Bonds Interest</i>	<i>Total</i>
2024	\$ 91,070,000	\$ 46,946,261	\$ 138,016,261
2025	73,845,000	35,623,235	109,468,235
2026	66,790,000	32,827,134	99,617,134
2027	66,020,000	30,158,955	96,178,955
2028	64,560,000	27,622,723	92,182,723
2029	66,015,000	25,168,013	91,183,013
2030	61,300,000	22,740,310	84,040,310
2031	53,740,000	20,546,414	74,286,414
2032	53,660,000	18,512,718	72,172,718
2033	48,190,000	16,615,539	64,805,539
2034	48,190,000	14,852,553	63,042,553
2035	48,190,000	13,060,287	61,250,287
2036	48,190,000	11,233,581	59,423,581
2037	48,190,000	9,375,081	57,565,081
2038	48,190,000	7,484,790	55,674,790
2039	43,875,000	5,637,972	49,512,972
2040	30,065,000	4,118,439	34,183,439
2041	30,065,000	2,862,848	32,927,848
2042	30,065,000	1,603,283	31,668,283
2043	19,470,000	486,750	19,956,750
<b>Total</b>	<b>\$1,039,680,000</b>	<b>\$ 347,476,885</b>	<b>\$1,387,156,885</b>

<sup>(1)</sup> Totals may not add due to independent rounding.

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

**Table 36**  
**DEBT SERVICE TO MATURITY ON BONDED LEASE OBLIGATIONS<sup>(1)</sup>**  
**As of July 1, 2023**

<i><b>Fiscal Year</b></i>	<i><b>Principal</b></i>	<i><b>Interest</b></i>	<i><b>Total</b></i>
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
<b>Total</b>	<b>\$ 1,291,521,413</b>	<b>\$ 383,624,550</b>	<b>\$ 1,675,145,962</b>

<sup>(1)</sup> Totals may not add due to independent rounding.  
Source: City of Los Angeles, Office of the City Administrative Officer.

### **Debt Management Policies**

The City first adopted a written debt policy in August 1998, which has been amended from time to time by ordinance, most recently in 2020. The City has also adopted policies for Mello-Roos financing, variable rate debt and swaps. 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 37**  
**DEBT MANAGEMENT POLICY RATIOS**

<i><b>Ratio</b></i>	<i><b>Ceiling</b></i>	<i><b>2021-22</b></i>	<i><b>2022-23 Estimated</b></i>	<i><b>2023-24 Budget</b></i>
Total Direct Debt Service as Percent of General Revenues <sup>(1)</sup>	15.0%	4.81%	4.37%	4.22%
Non-Voted Direct Debt Service as Percent of General Revenues <sup>(1)</sup>	6.0% <sup>(2)</sup>	3.33%	2.92%	2.54%

<sup>(1)</sup> For purposes of the Debt Policy, General Revenues includes the General Fund, General Obligation Bond Debt Service Funds, and any tax revenues deposited into special funds that pay debt service on lease revenue bonds.

<sup>(2)</sup> 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 38**  
**[FINANCIAL RATIOS]**

<i>As of June 30</i>	<i>Net Direct Debt</i>	<i>Net Debt Per Capita</i>	<i>Net Debt as Percent of Net Assessed Valuation</i>
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	2,168,271,002	568	0.30

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

The table below shows debt service payable from the General Fund for long-term lease revenue obligations and, through 2019-20, judgment obligation bonds, as a percent of General Fund revenues.

**Table 39**  
**[GENERAL FUND DEBT SERVICE AS A PERCENTAGE OF GENERAL FUND<sup>(1)</sup>]**

<i>Fiscal Year</i>	<i>Total Debt Service</i>	<i>Paid From Special Revenue Funds</i>	<i>Net General Fund Debt Service<sup>(2)</sup></i>	<i>General Fund Revenues<sup>(3)</sup></i>	<i>Gross as Percent of GF</i>	<i>Net as Percent of GF</i>
2018-19	\$238,288,959	\$26,600,114	\$211,688,845	\$6,231,089,520	3.82%	3.40%
2019-20	212,168,449	25,259,709	186,908,740	6,374,231,315	3.33%	2.93%
2020-21	181,176,205	22,591,091	158,585,114	7,009,426,788	2.58%	2.26%
2021-22	228,153,071	23,366,537	204,786,534	7,509,699,517	3.04%	2.73%
2022-23 Estimated	205,540,000	23,110,000	182,430,000	7,529,869,327	2.73%	2.42%
2023-24 Adopted Budget	185,369,830	19,666,099	165,703,731	7,745,949,824	2.39%	2.14%

(1) Cash basis.

(2) While all obligations reported in this table are payable from all legally available funds, a portion of this debt service is paid from certain special revenue funds. Net General Fund Debt Service represents the amounts actually paid out of General Fund revenues.

(3) Excludes transfers from the Reserve Fund.

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 40**  
**RETIREMENT OF NET DIRECT DEBT<sup>(1)</sup>**  
**As of June 1, 2023**

<i>Maturing Within</i>	<i>General Obligation Bonds</i>		<i>Bonded and Certificated Leases</i>		<i>Total</i>	
	<i>Maturing Principal</i>	<i>Cumulative % of Debt Retired</i>	<i>Maturing Principal</i>	<i>Cumulative % of Debt Retired</i>	<i>Maturing Principal</i>	<i>Cumulative % of Debt Retired</i>
>0 to 5 years	\$ 362,285,000	34.8%	\$ 556,130,545	43.1%	\$ 918,415,545	39.4%
>5 to 10 years	282,905,000	62.1	368,315,868	71.6	651,220,868	67.3
>10 to 15 years	240,950,000	85.2	300,474,000	94.8	541,424,000	90.6
>15 to 20 years	153,540,000	100.0	66,601,000	100.0	220,141,000	100.0
<b>Total</b>	<b>\$ 1,039,680,000</b>		<b>\$1,291,521,413</b>		<b>\$ 2,331,201,413</b>	

(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.

**Table 41**  
**PROPOSED SCHEDULE OF BOND ISSUANCES<sup>(1)</sup>**  
**DEBT CALENDAR**  
**(as of June 1, 2023)**

	<i>Expected Sale Date</i>	<i>Amount</i>
<b>Fiscal Year 2023-24 Debt Issuance</b>		
Solid Waste Resources Revenue Bonds	Summer 2023	\$200 million
MICLA Lease Revenue Bonds (Capital Equipment and Real Property) (CP Take-out)	Fall 2023	\$220 million
Los Angeles Wastewater System Revenue Bonds (CP Take-out)	Spring 2024	\$360 million
2024 Tax and Revenue Anticipation Notes	Summer 2024	TBD
General Obligation Bonds (Taxable) (Proposition HHH)	TBD	\$236.02 million
<b>Fiscal Year 2024-25 Debt Issuance</b>		
MICLA Lease Revenue Bonds (Capital Equipment and Real Property) (CP Take-out)	Spring 2025	\$220 million
2025 Tax and Revenue Anticipation Notes	Summer 2025	TBD
General Obligation Bonds (Proposition O)	TBD	\$60.5 million

<sup>(1)</sup> 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 "Projected 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 42**  
**STATEMENT OF OVERLAPPING DEBT**  
**As of June 1, 2023**

	<i>Debt Outstanding</i>	<i>Estimated Percent Applicable</i>	<i>Estimated Shares Of Overlapping</i>
<b><u>OVERLAPPING DEBT REPAYED WITH PROPERTY TAXES</u></b>			
The Metropolitan Water District of Southern California	\$ 19,215,000	21.300%	\$ 4,092,795
Los Angeles Community College District	4,500,730,000	72.250	3,251,777,425
Beverly Hills Unified School District	644,388,210	0.153	985,914
Inglewood Unified School District	184,485,000	0.729	1,344,896
Las Virgenes Joint Unified School District	98,247,606	0.884	868,509
Los Angeles Unified School District	10,704,725,000	88.195	9,441,032,214
Other School Districts	515,532,057	Various	413,068
City of Los Angeles Community Facilities District No. 4	55,100,000	100.000	55,100,000
City of Los Angeles Community Facilities District No. 8	5,290,000	100.000	5,290,000
City of Los Angeles Community Facilities District No. 11	22,410,000	100.000	22,410,000
Mountains Recreation and Conservation Authority Assessment Districts	13,765,000	100.000	13,765,000
Los Angeles Unified School District supported general obligation bonds <sup>(1)</sup>			(198,654,828)
<b><u>OTHER OVERLAPPING DEBT:</u></b>			
Los Angeles County General Fund Obligations	\$2,601,551,282	40.888%	\$ 1,063,722,288
Los Angeles County Superintendent of Schools Certificates of Participation	3,403,487	40.888	1,391,618
Los Angeles County Sanitation District Nos. 1, 4, 5, 8 & 16 Authorities	3,427,254	0.001 - 12.088	170,470
Inglewood Unified School District Certificates of Participation	1,120,000	0.729	8,165
Las Virgenes Unified School District Certificates of Participation	8,572,605	0.884	75,782
Los Angeles Unified School District Certificates of Participation	97,870,000	88.195	86,316,447
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$ 274,600,000	100.000%	\$ 274,600,000
SUBTOTAL, OVERLAPPING DEBT			\$ 14,024,709,763
City of Los Angeles General Obligation Bonds	\$1,039,680,000	100.000%	\$ 1,039,680,000
City of Los Angeles General Fund Obligations	1,291,521,414	100.000	1,291,521,414
TOTAL CITY OF LOS ANGELES DIRECT DEBT			<b>\$ 2,331,201,414</b>
TOTAL DIRECT AND OVERLAPPING DEBT			<b>\$ 16,355,911,177<sup>(2)</sup></b>

<sup>(1)</sup> Represents applicable amount of accumulated set-aside deposits for Qualified School Construction Bonds as of June 30, 2022, deducted from outstanding principal.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.; footnote 1 from Los Angeles Unified School District, Audited Annual Financial Report For Fiscal Year Ended June 30, 2021.

## 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.

In January 2018 the City released a "Local Hazard Mitigation Plan" which identified a number of risks, provided an assessment of potential damage that might result from those risks, and identified certain mitigation strategies. Identified risks included earthquake, adverse weather, drought and flood. The plan also identified various ways in which such risks could be mitigated. The City currently expects to issue an update to the plan in 2023.

In addition, the City Council created a standing committee to review all matters relating to "Energy and Environment." 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. The City has also hired a Chief Heat Officer, who will lead efforts to respond to extreme heat events and coordinate with various City departments and other agencies, given the understanding that heat-related deaths and hospitalizations disproportionately affect low-income communities.

Among the specific initiatives to enhance climate resiliency 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 and mitigate the impacts of prolonged drought, exploration of the use of specially designed "cool roofs" to manage the effect of rising temperatures in urban environments, and tests of the effects of "cool pavement" (a special coating applied to city streets) to manage urban temperatures. As part of the [Fiscal Year 2022-23 Adopted 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 was directed to see that the City adheres to global protocols in tracking and reporting on municipal greenhouse gas emissions.

The City has also taken various actions to address matters of social equity, including 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 intended to 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. Among the criteria used in prioritizing capital funding are resiliency and sustainability projects that improve public health and the environment through improved water resources, air quality, reduction in greenhouse gas emissions, and habitat protection and 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. 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 Plan 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 a 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. In 2020, the ISOC enabled secure remote access for approximately 18,000 City workers during the COVID-19 pandemic. The City implemented Multi-Factor Authentication and a single sign-on service, retiring outdated infrastructure and introducing a "Cybersecurity Risk Score" system for departments, providing general managers with a way to determine the level of Cybersecurity preparedness within their respective departments. In 2022, the City adopted Attack Surface Management ("ASM") to identify risks and established a comprehensive Cybersecurity Asset Management system, integrating ASM, Critical Asset Protection, and the Cyber Watchlist for robust cybersecurity.

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 (“WMPs”) to address permit and TMDL requirements as long as the final compliance milestone has not passed. As the requirements of the MS4 permit cross multiple local jurisdictions, the City collaborated with other participating agencies on the development of the WMPs, which were initially approved by the LARWQCB in 2016 and now in 2023 have been conditionally approved after undergoing required revisions. It is currently anticipated that the LARWQCB will re-approve all the WMPs in the late summer or fall of 2023.

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 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.

The City’s share of the costs of the approved WMP projects required to meet the TMDLs through 2037 is estimated to be approximately \$8 billion. Estimating project costs over such a long time period is inherently difficult and no assurance can be provided that the City’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 in Fiscal Year 2019-20 and has generated approximately \$300 million per year to date. 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 budgeted \$36.5 million from this source (municipal returns) in the Fiscal Year 2023-24 Adopted Budget and estimates \$36.5 million to be received in Fiscal Year 2024-25. 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, and the Department of Water and

Power) has secured funding totaling \$200 million over the next five years for capital improvement projects, operations and maintenance, and scientific studies.

As the regional program progresses, the City anticipates approximately \$30 million to \$35 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 sewage spill. The Plant's relief system was triggered and sewage flows entered the Plant's one-mile outfall, discharging approximately 12.5 million gallons of untreated sewage into the 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.

Several lawsuits (*Mecklenburg v. Hyperion Water Reclamation Plant*, *Abdelnur, Katarina et al. v. City of Los Angeles*, *Konig, Joshua v. City of Los Angeles*, and *Ace American Insurance v. City of Los Angeles*) have been filed against the City in connection with this incident. All the lawsuits have been determined to be related by the court. It is still too early in the litigation process to evaluate the likelihood of an unfavorable outcome to the City or the amount or range of potential liability. In addition, there are fees and fines that have been proposed by regulatory agencies in connection with this incident. On March 29, 2023, the Los Angeles Regional Water Quality Control Board filed an administrative complaint assessing a penalty of over \$21.7 million. In addition, the City is aware of other potential penalties proposed by regulatory agencies totaling upwards of \$30 million. All of these penalty amounts are not final and still under discussion with the respective regulatory agencies. There may be other regulatory fees and fines proposed, or other action taken, in the future. The City cannot determine at this time the full extent of the financial impact of this incident as costs resulting from any litigation or action taken by regulatory agencies 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 percent by 2025 (from 2014 levels).

On January 16, 2023, the Bureau of Sanitation expanded the organic waste collection and composting program from 40,000 households to all 735,000 households serviced by the Bureau of Sanitation. Due to the more intensive processing costs of composting comingled organics, the cost has increased from an average of \$60 per ton in Fiscal Year 2021-22 to an average of \$125 per ton. The Fiscal Year 2023-24 Adopted Budget provides \$65.3 million for tip fees for organics processing, a \$30.0 million increase over Fiscal Year 2021-22. 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 solid waste resources fees do not fully support the solid waste operations, with the General Fund budgeted to provide approximately \$64.7 million in funding for Fiscal Year 2023-24. Unless recovered through increased solid waste resources fees, the costs of the organics reduction program would be borne by the City's General Fund.

## **[General Fund Subsidy of Special Fund Activities]**

While it is the City's goal that all of its special funds fully reimburse the General Fund for all direct expenditures and related costs associated with their programs, there are a number of cases where the General Fund subsidizes such activities. The amount of such subsidies is reported annually as part of the City's budget process. The total amount of subsidies estimated in the Fiscal Year 2023-24 Adopted Budget totals \$270.8 million.

The largest such General Fund subsidies include \$105.4 million to supplement special fund revenues of the Department of Recreation and Parks, \$21.2 million to subsidize certain planning and land use applications, and \$16.6 million to supplement revenues collected through the City's Stormwater Pollution Abatement Charge. Two other major expenses reported as a "subsidy" are \$21.5 million to support the Los Angeles Zoo, and \$11.8 million in overhead costs associated with the use of state gas tax funds, which are appropriated to various departments to finance eligible street improvements.

One program that is primarily financed by utility fees that has received General Fund subsidies over recent years is the City's solid waste operation. See the caption "—Solid Waste Organics Diversion." The General Fund similarly subsidizes the Citywide Recycling Trust Fund (\$4.9 million in Fiscal Year 2022-23) and Multi-Family Bulky Item Fund (\$2.6 million in Fiscal Year 2022-23).

Another program that may require subsidy in the future is the City's transit operations, which are funded from the City's share of Los Angeles County Metropolitan Transportation Authority Proposition A sales tax receipts. The required level of funding of City-financed transit service is estimated to be approximately \$274 million annually and the annual ongoing revenue within the Proposition A Fund is projected to be approximately \$197 million, resulting in a structural deficit of approximately \$77 million annually. While the Fiscal Year 2023-24 Adopted Budget is balanced by the use of available balances, the City is updating a Transit Services Analysis to be considered by the Mayor and Council that will include options to resolve the ongoing structural deficit in future years. One of those options may include General Fund appropriations.]

## **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"). As a condition of the City's selection, the City entered into a Host City Contract ("HCC") with the United States Olympic Committee ("USOC") and the IOC that identifies contractual commitments of the parties relating to insurance, indemnification, event requirements, operations, deliverables, efforts to cooperate, and financial obligations of the parties. The HCC includes an advance payment from the IOC in the amount of \$180 million paid over five years to LA 2028 to support operations.

Independent from the City, LA 2028 has developed a 2028 Games budget of \$6.88 billion, the entirety of which is funded by non-City revenue sources. The 2028 Games budget is subject to change and may be impacted by the value of sponsorships, ticket sales and hospitality, licensing and merchandising, and cost escalation. The 2028 Games budget anticipates the use of existing venues, facilities, and infrastructure and does not anticipate it will be necessary to construct new permanent venues or extensive capital projects specific to hosting the 2028 Games. Further, the 2028 Games budget assumes federal support for public safety in accordance with the anticipated designation of the 2028 Games as a National Special Security Event.

In adopting the HCC, the City has guaranteed that it will cover any potential financial shortfall of LA 2028 in its delivery of the Games, including potential refunds to the IOC of any advance payments to LA 2028 by the IOC in the event of a contingency such as a full or partial cancellation of the Games. To mitigate the City's financial risk associated with the 2028 Games budget and its HCC guarantee to cover financial shortfalls, a Games Agreement was established to memorialize the relationship, roles and responsibilities between the City

and LA 2028. The Games Agreement specifies several financial and risk management protections to the City, reporting and transparency requirements, and other actions governing administration of the 2028 Games, including but not limited to:

- City representation on the LA 2028 Board of Directors;
- the requirement for written consent of the City to modify the Games venue plan and for any financial commitments and guarantees of City funds related to the 2028 Games;
- the agreement by LA 2028 to reimburse the City and other municipalities for the incremental cost of performing enhanced municipal services (e.g. police, fire, sanitation, traffic control, and parking enforcement) in support of the 2028 Games;
- the establishment by LA 2028 of an Allocated Contingency account of \$270 million, whereby LA 2028 will make allocations to this account on a periodic basis beginning in 2024 until a cumulative balance of \$270 million is reached in 2029 and which may only be utilized, with the City's prior written consent, to cover expenditures in the event that other actual or projected LA 2028 revenues are not available therefor;
- the requirement for LA 2028 to obtain insurance policies at its own expense, to include the City as an additional insured, and to incorporate contractual indemnification language into any venue use agreements it executes; and
- the agreement by LA 2028 that it shall not seek funds from the City to defray any financial deficit associated with the 2028 Games unless and until LA 2028 funds are fully expended and exhausted, LA 2028 has made commercially reasonable efforts to obtain full coverage for covered claims from all valid and collectible liability insurance policies it has procured, and LA 2028 has made commercially reasonable efforts to recover funds from all third parties who owe payments to LA 2028.

Other cities that hosted the Olympic Games and the Paralympic Games have incurred significant financial obligations. While, as described above, the City currently expects that costs of the 2028 Games will be paid from non-City revenues sources, there can be no assurances that significant General Fund expenditures will not be required.

### **Federal Public Corruption Matters**

As 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, two City Councilmembers were indicted, resigned or suspended from the City Council, and have plead guilty. Mitchell Englander resigned his City Council seat in December 2018 and pled guilty in connection with the investigation in June 2020. Mr. Huizar was suspended from office in June 2020 and plead guilty in January 2023. 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 City cannot predict the outcome of these investigations.

### **Hotel Initiative Petition**

In July 2022, an initiative petition was qualified to submit a proposed ordinance to a vote of the electors of the City at the March 2024 election. The proposed ordinance, if passed by the voters, would require, among other things and subject to certain exemptions and waivers, a hotel development project of 100 or more rooms to obtain a land use permit based on factors including the market demand for the project and the project's impact on affordable housing, transit, social services, employees, and local businesses, a hotel development project of 15 or more rooms to replace demolished or converted housing with an equivalent amount of affordable housing at or near the project site, and special police permits for hotels. The proposed ordinance would also create a program, subject to funding availability, to place unhoused individuals in vacant hotel rooms, and hotels would be prohibited from refusing lodging to program participants. The proposed ordinance would create a "Hotel Voucher Program" that would require the City Housing Department to administer a program that uses pre-paid vouchers to place unhoused individuals and families in vacant rooms in hotels or similar establishments. The

proposed ordinance has no designated source of funding. The City would be required under the proposed ordinance to pay fair market value or a price negotiated between the Housing Department and the hotel and to waive transient occupancy taxes on persons who pay for a hotel room through this Hotel Voucher Program.

The City cannot currently predict the impact that passage of the proposed ordinance would have on the General Fund, but there can be no assurances it will not result in increased costs, reduced transient occupancy tax revenues or other consequences.

## 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 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. See “BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program.” The following list of certain recently completed, pending or threatened lawsuits and proceedings involving the City was prepared by the Office of the City Attorney, and includes matters that, 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 the 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 February 2005 through August 2019, 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. This amount has been increased by an additional \$1.55 million for Fiscal Year 2022-23 with the addition of a new monitor.

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' most recent tolling agreement extension expired on February 1, 2023; as a result, the statute of limitation started to run on February 1, 2023.

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. The City, in turn, filed a motion to contesting the certification of the third class and certification of the other two classes. On July 27, 2022, the District Court denied both Plaintiffs' motion to certify the third class and City's motion to decertify the other two classes. Following the filing of the parties' respective motions for summary judgment, on May 9, 2023, the District Court issued an order granting in part and denying in part the City's motion for summary judgment and granting plaintiffs' motion for summary judgment. In granting the plaintiffs' motion for summary judgment, the District Court held that the City violated the plaintiffs' rights under the U.S. and California Constitutions. Although the District Court did not issue a judgment, liability is probable. Based on the District Court's May 9 order, the plaintiffs will again be moving to certify the third class and it is possible the District Court will now grant that motion. If the third class is certified, the City's estimable liability could be approximately \$75 million. The City has every expectation to appeal any adverse judgment issued by the District Court.

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 through 2023, inclusive. 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* 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 \$73 million (inclusive of interest), as computed through the end of 2023, 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 taxes under Proposition 218, and therefore require 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. Oral argument took place on December 8, 2022. On December 28, 2022, the Court of Appeal reversed the judgment, relying on a recent California Supreme Court decision in *Zolly v. City of Oakland* (2022) 13 Cal.5th 780, which addressed a similar challenge to waste hauling franchise fees paid to the City of Oakland. In *Zolly*, the California Supreme Court found that the plaintiffs had standing to challenge the franchise fees. The Court of Appeal expressed no opinion on the underlying substantive issues, and the matter was remanded back to Superior Court for further adjudication. Due to the unsettled nature of the law, an assessment of liability, if any, is difficult to ascertain. However, if the City loses, it could be required to pay back all franchise fees collected to date by the General Fund, and to cease collection of the franchise fees going forward. From Fiscal Year 2016-17 through Fiscal Year 2021-22, the City collected approximately \$220 million in these franchise fees. The City expects to continue to collect approximately \$45 million annually of these franchise fees during the pendency of the litigation, the timeframe of which remains uncertain. See Table 13 under the caption "MAJOR GENERAL FUND REVENUE SOURCES."

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 allegedly 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. By December 31, 2021, the City had opened 6,566 new beds and 754 other interventions from existing agreements, and as of March 31, 2023, 6,581 new beds and 792 other interventions from existing agreements are open and occupiable. Under the agreement, the County has agreed to pay up to \$60 million in annual service funding, totaling up to \$300 million over the five-year agreement term, based on the number of interventions opened and occupied within 60 days of July 1 each year for part the annual cost of operations and services for this population. The City has committed to fund the remaining annual operations and services costs.

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 the Los Angeles Homeless Services Authority ("LAHSA"), a joint powers authority formed by the City and the County, 2022 Point In Time Count 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 2022 count, such proposed settlement framework will require approximately 13,000 new interventions (e.g. interim housing beds, time-limited subsidies, permanent supportive housing units, etc.) 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 beds that were agreed to be provided, or related costs, under the City's June 18, 2020 agreement. On June 14, 2022, the District Court issued a ruling approving the proposed settlement between the City and the plaintiffs. In its order, the District Court retained jurisdiction for a period of five years to enforce the terms of the settlement and appointed a special master to assist the District Court to monitor and enforce the terms of the settlement. On July 13, 2022, the homeless rights advocates who intervened in the case filed a notice of appeal of the District Court's Order approving the stipulated dismissal and proposed settlement between the City and Plaintiffs. The Parties are briefing the matter and oral arguments, if scheduled, will proceed on a date not yet determined after the briefing is fully submitted.

The majority of the funding needed under this settlement, if upheld, 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. 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. On November 18, 2022, the court granted the City's motion to dismiss the complaint with leave for the plaintiffs to amend. The plaintiffs appealed and the parties are briefing the matter. Oral arguments would likely be scheduled in late 2023.

9. 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. Due to the preliminary nature of the lawsuit, an estimable liability amount cannot be determined. However, in the event of an adverse ruling, the City's liability may be approximately \$50 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 "RETIREMENT AND PENSION SYSTEMS—Fire and Police Pension Plan," below.

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 LAFPP 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 LAFPP Board) to grant the unions the maximum possible increase in the retiree medical subsidy. Rather, the LAFPP Board retained the discretion on the amount of any increase. LAPPL filed a notice of appeal. The appeal should be heard sometime in 2023. Notwithstanding, the second case concerning whether the LAFPP Board abused its discretion in the years it did not grant the maximum possible increase has been stayed by the trial court pending the appeal of the trial court's ruling on the discretionary increase question. The timeframe in which the discretion issue will be adjudged will be dependent upon the outcome of the appeal. If LAPPL is successful in its appeal, a new trial may result and render the discretion issue moot.

## **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 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 Pension 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.

In addition, in December 2021 the Actuarial Standards Board finalized and adopted changes to Actuarial Standard of Practice No. 4, *Measuring Pension Obligations and Determining Plan Costs or Contributions* (“ASOP 4”). ASOP 4 adds significant disclosure requirements for all actuarial valuations issued on or after February 15, 2023, including a requirement to calculate and disclose a new market-based liability measurement called the Low-Default-Risk Obligation Measure (“LDROM”). Under the revised ASOP, the LDROM may be determined in a manner similar to the Actuarial Accrued Liability (“AAL”) that is commonly used in public sector plan funding, but with a key difference: instead of basing the discount rate on the plan’s expected rate of return (as is done in determining the AAL), the LDROM must use discount rates derived from “low-default-risk fixed income securities.” Examples of these rates include U.S. Treasury yields and yields on high-rated corporate or tax-exempt general obligation municipal bonds. Public pension plans, including LACERS and LAFPP, typically invest in a diversified portfolio including stocks, bonds, real estate and private equity, and funding calculations are based on the expected return of that portfolio. The new disclosure requirement, which will be incorporated with LACERS’ and LAFPP’s June 30, 2023 valuations, does not change this approach for funding the plans but provides additional information on what the liability measurement would be if the plans were to adopt an all-bond investment strategy.

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](http://www.lacers.org/aboutlacers/reports/index.html) and [www.lafpp.com/financial-reports](http://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, 2022.

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, 2022, the date of its most recent actuarial valuation, LACERS had 24,917 active members, 22,399 retired members and beneficiaries, and 10,379 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.) The LACERS Board will be considering a new experience study in June 2023 and changes that it adopts to actuarial assumptions could cause the City's contributions to vary when compared to projections beginning in Fiscal Year 2024-25.

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, 2022, approximately 67 percent of the system's active membership was Tier 1 members and 33 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 43**  
**COMPARISON OF LACERS TIER 1 AND TIER 3 PLAN DESIGNS**

<i>Plan Feature</i>	<i>Tier 1<sup>(1)</sup></i>	<i>Tier 3</i>
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 year before age 55; and 1.5% per year 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 pensionable bonuses	Highest consecutive 36 months, including pensionable 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.

<sup>(1)</sup> 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 44**  
**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS**  
**ACTUARIAL VALUE BASIS**  
**(\$ in thousands)<sup>(1)</sup>**

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL<sup>(2)</sup></i>	<i>Funded Ratio<sup>(3)</sup></i>	<i>Covered Payroll<sup>(4)</sup></i>	<i>UAAL as a Percentage of Covered Payroll<sup>(5)</sup></i>
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
2022	17,649,268	24,078,751	6,429,483	73.3	2,258,725	284.7

(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 contribution rate generally increased between the June 30, 2012 and the June 30, 2022 valuations, from 21.3 percent to 30.4 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 4.1 percent in 2022.

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 45**  
**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS**  
**MARKET VALUE BASIS**  
**(\$ in thousands)<sup>(1)</sup>**

<i>Actuarial Valuation As of June 30</i>	<i>Market Value Of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded Liability<sup>(2)</sup></i>	<i>Funded Ratio (Market Value)<sup>(3)</sup></i>	<i>Covered Payroll<sup>(4)</sup></i>	<i>Unfunded Liability As a Percentage of Covered Payroll (Market Value)<sup>(5)</sup></i>
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
2022	17,013,091	24,078,751	7,065,660	70.7	2,258,725	312.8

(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 46**  
**LOS ANGELES CITY EMPLOYEE'S RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS**  
**(\$ in thousands)**

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL<sup>(1)</sup></i>	<i>Funded Ratio<sup>(2)</sup></i>	<i>Covered Payroll<sup>(3)</sup></i>	<i>UAAL As a Percentage of Covered Payroll<sup>(4)</sup></i>
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
2022	3,472,956	3,580,696	107,741	97.0	2,258,725	4.8

(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 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 Fiscal Year 2023-24 Adopted Budget. This table includes costs for contributions for both pensions and retiree health care.

**Table 47**  
**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**  
**SOURCES AND USES OF CONTRIBUTIONS**  
**(\$ in thousands)<sup>(1)</sup>**

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24 Adopted Budget</i>
Sources of Contributions					
Contributions for Council-controlled Departments <sup>(2)</sup>	\$ 559,299	\$ 532,833	\$ 601,450	\$ 636,523	\$ 675,804
Airport, Harbor Departments, LACERS, LAFPP	<u>117,368</u>	<u>114,828</u>	<u>124,074</u>	<u>131,166</u>	<u>145,998</u>
Total	<u>\$ 676,667</u>	<u>\$ 647,661</u>	<u>\$ 725,524</u>	<u>\$ 767,689</u>	<u>\$ 821,803</u>
Percent of payroll – Tier 1	29.89%	29.43%	32.81%	33.93%	34.07%
Percent of payroll – Tier 3	27.70%	27.45%	30.16%	31.35%	31.45%
Uses of Contributions					
Current Service Liability (Normal cost)	\$ 234,336	\$ 229,795	\$ 265,096	\$ 285,162	\$ 300,709
UAAL	477,035	462,604	492,955	556,287	601,005
Adjustments <sup>(3)</sup>	<u>(34,704)</u>	<u>(44,738)</u>	<u>(32,527)</u>	<u>(73,760)</u>	<u>(79,911)</u>
Total	<u>\$ 676,667</u>	<u>\$ 647,661</u>	<u>\$ 725,524</u>	<u>\$ 767,689</u>	<u>\$ 821,803</u>

<sup>(1)</sup> Includes funding for OPEB.

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

<sup>(3)</sup> Adjustments include a "true-up" reconciling projected payroll against actual payroll, 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. The CAO's projected payroll assumes that there will be no negotiated employee compensation increases after the expiration in 2023 and 2024 of current labor agreements.

**Table 48**  
**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**  
**PROJECTED CONTRIBUTIONS**  
**(\$ in thousands)**

	<i>Adopted Budget 2023-24</i>	<i>Projection 2024-25</i>	<i>Projection 2025-26</i>	<i>Projection 2026-27</i>	<i>Projection 2027-28</i>
Contributions for Council-controlled Departments <sup>(1)(2)</sup>	\$ 675,804	\$ 785,467	\$ 765,426	\$ 802,851	\$ 828,465
Percentage of Payroll <sup>(3)</sup>	33.15%	33.58%	32.07%	32.96%	33.21%
Incremental Change	\$ 39,274	\$ 109,663	\$ (20,041)	\$ 37,425	\$ 25,614
% Change	6.17%	16.23%	(2.55)%	4.89%	3.19%

<sup>(1)</sup> Includes the General Fund and various special funds.

<sup>(2)</sup> Assumes 7% return on investment.

<sup>(3)</sup> 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 Department of Airports police. As of June 30, 2022, the date of its most recent actuarial valuation, the LAFPP had 12,771 active members (including 123 in Harbor and 92 in Airports), 13,821 retired members and beneficiaries, and 723 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 4 active members as of June 30, 2022, although both tiers have retired members and beneficiaries. Sixty percent of active members are in Tier 5, and 35 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.

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 May 2023, the LAFPP Board adopted the actuary’s recommendations to maintain the 7.00 percent assumed rate of investment return, but reduced the inflation assumption from 2.75 percent to 2.50 percent. In addition to the economic assumptions, the LAFPP Board adjusted various other demographic assumptions such as mortality, retirement, termination, and disability incidence rates. Adoption of the economic and demographic assumption changes in May 2023 are estimated to decrease City contributions by 0.45 percent of payroll. The new assumptions will be used in the June 30, 2023 actuarial valuation, which will determine the City’s contribution rate for Fiscal Year 2024-25.

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 49**  
**LOS ANGELES FIRE AND POLICE PENSION PLAN**  
**SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS**  
**ACTUARIAL VALUE BASIS**  
**(\$ in thousands)<sup>(1)</sup>**

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL<sup>(2)</sup></i>	<i>Funded Ratio<sup>(3)</sup></i>	<i>Covered Payroll<sup>(4)</sup></i>	<i>UAAL As a Percentage of Covered Payroll<sup>(5)</sup></i>
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
2022	25,146,787	25,670,766	523,979	98.0	1,664,318	31.5

(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, 2022.

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 50**  
**LOS ANGELES FIRE AND POLICE PENSION PLAN**  
**SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS**  
**MARKET VALUE BASIS**  
**(\$ in thousands)<sup>(1)</sup>**

<i>Actuarial Valuation As of June 30</i>	<i>Market Value Of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded (Overfunded) Liability<sup>(2)</sup></i>	<i>Funded Ratio (Market Value)<sup>(3)</sup></i>	<i>Covered Payroll<sup>(4)</sup></i>	<i>Unfunded Liability As a Percentage of Covered Payroll (Market Value)<sup>(5)</sup></i>
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)
2022	25,258,536	25,670,766	412,230	98.4	1,664,318	24.8

(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 51**  
**OTHER POST-EMPLOYMENT BENEFITS**  
**FIRE AND POLICE PENSION PLAN**  
**(\$ in thousands)**

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL<sup>(1)</sup></i>	<i>Funded Ratio<sup>(2)</sup></i>	<i>Covered Payroll<sup>(3)</sup></i>	<i>UAAL As a Percentage of Covered Payroll<sup>(4)</sup></i>
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
2022	2,710,079	3,649,332	939,253	74.3	1,664,318	56.4

(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 Fiscal Year 2023-24 Adopted Budget. This table includes costs for both pensions and retiree health care, as well as the plan's administrative expenses.

**Table 52**  
**LOS ANGELES FIRE AND POLICE PENSION PLAN**  
**SOURCES AND USES OF CONTRIBUTIONS**  
**(\$ in thousands)**

	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24 Adopted Budget</i>
General Fund <sup>(1)</sup>	<u>\$ 705,076</u>	<u>\$ 738,908</u>	<u>\$ 721,998</u>	<u>\$ 660,945</u>	<u>\$ 637,297</u>
Percent of Payroll	47.37%	46.79%	45.89%	41.84%	40.63%
Current Service Liability	\$ 349,256	\$ 382,639	\$ 393,940	\$ 394,525	\$ 390,133
UAAL/(Surplus)	337,815	337,154	306,679	244,958	225,835
Administrative Costs	<u>18,005</u>	<u>19,115</u>	<u>21,379</u>	<u>21,462</u>	<u>21,329</u>
Total	<u>\$ 705,076</u>	<u>\$ 738,908</u>	<u>\$ 721,998</u>	<u>\$ 660,945</u>	<u>\$ 637,297</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 automatically grant the maximum possible increase in the retiree medical subsidy each year to employees who contribute the additional 2 percent. Rather, the LAFPP Board retained the discretion on the amount of any increase. The union filed a notice of appeal on June 23, 2022. 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. The CAO’s projected payroll assumes that there will be no negotiated employee compensation increases after the expiration in 2023 and 2024 of current labor agreements.

**Table 53**  
**[LOS ANGELES FIRE AND POLICE PENSION PLAN**  
**PROJECTED CONTRIBUTIONS<sup>(1)</sup>**  
**(\$ in thousands)**

	<i>Adopted Budget 2023-24</i>	<i>Projection 2024-25</i>	<i>Projection 2025-26</i>	<i>Projection 2026-27</i>	<i>Projection 2027-28</i>
General Fund	\$ 637,297	\$ 663,704	\$ 545,425	\$ 547,558	\$ 556,857
Percentage of Payroll	40.63%	39.38%	31.66%	31.10%	30.82%
Incremental Change	\$ (23,648)	\$ 26,407	\$(118,279)	\$ 2,133	\$ 9,299
% Change	(3.58)%	4.14%	(17.82)%	0.39%	1.70%

<sup>(1)</sup> Assumes 7.00% return on investment.

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

## **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 2023 population of 3.8 million. Los Angeles is the principal city 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.*

### **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 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. By 2022, the population grew another 1.4 million, and the City experienced further growth in its demographic and 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**

	<i>City of Los Angeles</i>	<i>Percentage Change<sup>(1)</sup></i>	<i>County of Los Angeles</i>	<i>Percentage Change<sup>(1)</sup></i>	<i>State of California</i>	<i>Percentage Change<sup>(1)</sup></i>
2000	3,694,742	-	9,519,330	-	33,873,086	-
2005	3,769,131	2.01%	9,816,153	3.12%	35,869,173	5.89%
2010	3,794,586	0.67	9,822,121	0.06	37,223,900	3.78
2015	3,938,939	3.80	10,124,800	3.08	38,865,532	4.41
2020	3,975,234	0.92	10,135,614	0.11	39,648,938	2.02
2021	3,859,192	(2.92)	9,942,011	(1.91)	39,286,510	(0.91)
2022	3,802,725	(1.46)	9,834,503	(1.08)	39,078,674	(0.53)
2023	3,766,109	(0.96)	9,761,210	(0.75)	38,940,231	(0.35)

<sup>(1)</sup> For five-year time periods, figures represent cumulative change over such five year period.

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, 2021-2023, with 2020 Census Benchmark. Sacramento, California, May, 2023.

## 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<sup>(1)</sup>**

	2018	2019	2020	2021	2022
<b><u>Civilian Labor Force</u></b>					
City of Los Angeles					
Employed	1,983,600	2,007,000	1,787,300	1,868,300	1,947,300
Unemployed	<u>96,800</u>	<u>94,500</u>	<u>251,500</u>	<u>181,900</u>	<u>102,600</u>
Total	2,080,400	2,101,400	2,038,800	2,050,200	2,049,900
County of Los Angeles					
Employed	4,882,300	4,920,800	4,350,500	4,547,600	4,739,900
Unemployed	<u>237,500</u>	<u>230,700</u>	<u>609,800</u>	<u>445,900</u>	<u>244,900</u>
Total	5,119,800	5,151,500	4,960,300	4,993,500	4,984,800
<b><u>Unemployment Rates</u></b>					
City	4.7%	4.5%	12.3%	8.9%	5.0%
County	4.6%	4.5%	12.3%	8.9%	4.9%
State	4.2%	4.1%	10.1%	7.3%	4.2%
United States	3.9%	3.7%	8.1%	5.3%	3.6%

<sup>(1)</sup> March 2022 Benchmark report as of February 2023, 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 February 2023 of 4.8 percent statewide, 5.3 percent for the County, and 5.4 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 2022, 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<sup>(1)</sup>**

	<i>County of Los Angeles 2022</i>	<i>% of Total</i>	<i>State of California 2022</i>	<i>% of Total</i>
Agricultural	4,900	0.1%	422,900	2.3%
Mining and Logging	1,600	0.0	19,700	0.1
Construction	150,900	3.3	913,400	5.0
Manufacturing	321,800	7.1	1,336,900	7.4
Trade, Transportation and Utilities	837,400	18.4	3,133,000	17.3
Information	235,200	5.2	608,200	3.4
Financial Activities	215,900	4.8	844,700	4.7
Professional and Business Services	668,900	14.7	2,872,700	15.9
Educational and Health Services	873,600	19.2	2,936,300	16.2
Leisure and Hospitality	511,300	11.3	1,931,600	10.7
Other Services	153,500	3.4	563,300	3.1
Government	<u>568,500</u>	12.5	<u>2,529,000</u>	14.0
<b>Total<sup>(2)</sup></b>	<b>4,543,400</b>		<b>18,111,800</b>	

<sup>(1)</sup> The California Employment Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.

<sup>(2)</sup> 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 2022 Benchmark report as of April 12, 2023.

## Major Employers

The estimated top 25 major non-governmental employers in the County in 2022 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 6.9 percent of the labor force.

**Table 57**  
**LOS ANGELES COUNTY**  
**2022 MAJOR NON-GOVERNMENTAL EMPLOYERS**

<i>Employer</i>	<i>Product/Service</i>	<i>Employees</i>
Kaiser Permanente	Nonprofit health care plan	40,303
University of Southern California	Private university	22,735
Northrop Grumman Corp.	Defense contractor	18,000 <sup>(1)</sup>
Cedars-Sinai	Health system	16,659
Target Corp.	Retailer	15,888
Allied Universal	Security professionals	15,326 <sup>(1)</sup>
Providence	Health care	14,935 <sup>(1)</sup>
Ralphs/Food 4 Less – Kroger Co.	Grocery retailer	14,000
Walmart Inc.	Retailer	14,000
Walt Disney Co.	Media and entertainment	12,200 <sup>(1)</sup>
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	12,005
UPS	Logistics, transportation and freight	11,643 <sup>(1)</sup>
Home Depot	Home improvement specialty retailer	11,200 <sup>(1)</sup>
NBCUniversal	Media and entertainment	11,000 <sup>(1)</sup>
AT&T	Telecommunications, DirecTV, cable, satellite and television provider	10,500 <sup>(1)</sup>
Albertsons Cos.	Grocery retailer	10,406
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,830
Edison International	Electric utility, energy services	7,672 <sup>(1)</sup>
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	7,404
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	7,400 <sup>(1)</sup>
FedEx Corp.	Shipping and logistics	6,750 <sup>(1)</sup>
Children's Hospital Los Angeles	Hospital	6,644
Dignity Health	Health care	6,263
Costco Wholesale	Membership chain of warehouse stores	6,002
Space Exploration Technologies	Rockets and spacecraft	6,000 <sup>(1)</sup>

<sup>(1)</sup> Business Journal estimate.

Source: Los Angeles Business Journal, Weekly Lists, originally published August 22, 2022.

The estimated top 25 major governmental employers in the County in 2022 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 9.6 percent of the labor force.

**Table 58**  
**LOS ANGELES COUNTY**  
**2022 LARGEST PUBLIC SECTOR EMPLOYERS**

<i><b>Employers</b></i>	<i><b>Employees</b></i>
Los Angeles County	100,729
Los Angeles Unified School District	73,805
Federal Executive Board <sup>(1)</sup>	50,000
University of California, Los Angeles	48,743
City of Los Angeles <sup>(2)</sup>	33,562
State of California <sup>(3)</sup>	32,300
Long Beach Unified School District	12,000
Los Angeles County Metropolitan Transportation Authority	11,700
Los Angeles Community College District	11,618
Los Angeles Department of Water and Power	11,000
Cal State Long Beach	8,477
City of Long Beach	6,300
Mt. San Antonio Community College District	4,400
Los Angeles World Airports	4,000
Cal State Northridge	3,992
Compton Unified School District	3,071
Montebello Unified School District	2,885
Pomona Unified School District	2,800
Cal State Los Angeles	2,624
Cal Poly Pomona	2,603
City of Pasadena	2,314
City of Glendale	2,077
Santa Monica Community College District	2,023
City of Santa Monica	1,979
Torrance	1,456
	436,458

<sup>(1)</sup> Excludes law enforcement and judiciary employees.

<sup>(2)</sup> Excludes proprietary departments (DWP, LAWA, Port of L.A.).

<sup>(3)</sup> Excludes education employees.

Source: Los Angeles Business Journal, Weekly Lists, originally published August 22, 2022.

### **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**

<i>Year and Area</i>	<i>Personal Income (thousands of dollars)</i>	<i>Per Capita Personal Income<sup>(1)</sup> (dollars)</i>
<b>2017</b>		
County <sup>(2)</sup>	\$ 580,335,216	\$57,325
State <sup>(3)</sup>	2,318,280,900	58,804
United States <sup>(3)</sup>	16,837,337,000	51,550
<b>2018</b>		
County <sup>(2)</sup>	\$ 601,947,888	\$59,617
State <sup>(3)</sup>	2,431,773,900	61,508
United States <sup>(3)</sup>	17,671,054,000	53,786
<b>2019</b>		
County <sup>(2)</sup>	\$ 635,759,588	\$63,252
State <sup>(3)</sup>	2,567,425,600	64,919
United States <sup>(3)</sup>	18,575,467,000	56,250
<b>2020</b>		
County <sup>(2)</sup>	\$ 684,663,140	\$68,541
State <sup>(4)</sup>	2,790,523,500	70,643
United States <sup>(4)</sup>	19,812,171,000	59,763
<b>2021</b>		
County <sup>(2)</sup>	\$ 728,772,915	\$74,141
State <sup>(4)</sup>	3,006,183,900	76,800
United States <sup>(4)</sup>	21,288,709,000	64,117
<b>2022</b>		
County <sup>(5)</sup>	n/a	n/a
State <sup>(4)</sup>	\$ 3,018,471,100	\$77,339
United States <sup>(4)</sup>	21,804,787,500	65,423

(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 2017-2020 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, 2022 – new statistics for 2021; revised statistics for 2017 – 2020.

(3) Last updated: March 9, 2023 – revised statistics for 2017 – 2021.

(4) Last updated: March 31, 2023 – new statistics for 2022; revised statistics for 2020-2021.

(5) County information for 2022 not yet available.

Source: U.S. Bureau of Economic Analysis, “Table SAINC1: Personal Income Summary” and “Table CAINC1: Personal Income Summary” (accessed April 12, 2023).

## Retail Sales

As the largest city in the County, the City accounted for \$58.0 billion (or approximately 27.3 percent) of the total \$212.8 billion in County taxable sales for 2022. The following table sets forth a history of taxable sales for the City for calendar years 2018 through 2022.

**Table 60**  
**CITY OF LOS ANGELES**  
**TAXABLE SALES**  
**(in thousands)**

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Motor Vehicle and Parts Dealers	\$ 4,953,943	\$ 4,920,618	\$ 4,585,480	\$ 5,927,499	\$ 6,559,410
Home Furnishings and Appliance Stores	1,994,456	1,879,295	1,523,470	2,025,904	1,963,826
Bldg. Materials and Garden Equip. and Supplies	2,604,997	2,633,786	2,774,916	3,040,639	3,191,779
Food and Beverage Stores	2,965,281	3,003,306	3,045,666	3,154,313	3,289,286
Gasoline Stations	4,577,433	4,634,896	2,903,295	4,469,765	5,870,477
Clothing and Clothing Accessories Stores	3,358,528	3,392,114	2,302,122	3,632,876	3,687,708
General Merchandise Stores	2,901,449	2,908,563	2,494,747	3,037,363	3,295,629
Food Services and Drinking Places	9,704,572	10,214,928	6,320,584	8,881,294	10,808,809
Other Retail Group	<u>4,582,036</u>	<u>4,686,277</u>	<u>4,462,925</u>	<u>5,286,747</u>	<u>5,274,889</u>
Subtotal Retail and Food Services	37,642,695	38,273,783	30,413,205	39,456,400	43,941,813
All Other Outlets	<u>11,862,801</u>	<u>11,900,668</u>	<u>9,241,031</u>	<u>11,296,267</u>	<u>14,074,885</u>
<b>TOTAL ALL OUTLETS</b>	<b>\$49,505,496</b>	<b>\$ 50,174,451</b>	<b>\$39,654,236</b>	<b>\$ 50,752,667</b>	<b>\$ 58,016,698</b>
Year-over-year change	N/A	1.4%	(21.0%)	28.0%	14.3%

Source: California Department of Tax and Fee Administration, Research and Statistics.(last updated April 3, 2023)

## 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**

	<i>2022-23 Assessed Valuation<sup>(1)</sup></i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential				
Commercial Office	\$ 114,121,438,050	15.21%	26,321	3.36%
Vacant Commercial	2,475,236,601	0.33	1,297	0.17
Industrial	49,106,181,441	6.54	17,569	2.24
Vacant Industrial	2,029,728,201	0.27	4,214	0.54
Recreational	2,844,281,839	0.38	784	0.10
Government/Social/Institutional	4,163,944,109	0.55	3,641	0.46
Miscellaneous	<u>393,388,074</u>	<u>0.05</u>	<u>1,817</u>	<u>0.23</u>
Subtotal Non-Residential	\$ 175,134,198,315	23.34%	55,643	7.10%
Residential				
Single Family Residence	\$ 390,697,407,814	52.06%	506,284	64.57%
Condominium/Townhouse	49,553,166,029	6.60	90,014	11.48
Mobile Homes and Lots	179,011,134	0.02	3,489	0.44
Mobile Home Park	255,581,722	0.03	93	0.01
2-4 Residential Units	39,203,311,258	5.22	74,982	9.56
5+ Residential Units/Apartments	92,043,511,682	12.26	35,560	4.54
Vacant Residential	<u>3,421,387,930</u>	<u>0.46</u>	<u>18,033</u>	<u>2.30</u>
Subtotal Residential	\$ 575,353,377,569	76.66%	728,455	92.90%
<b>Total</b>	<b>\$ 750,487,575,884</b>	<b>100.00%</b>	<b>784,098</b>	<b>100.00%</b>

<sup>(1)</sup> 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**

	<i>No. of Parcels</i>	<i>2022-23 Assessed Valuation</i>	<i>Average Assessed Valuation</i>	<i>Median Assessed Valuation</i>
Single Family Residential Properties	506,284	\$390,697,407,814	\$771,696	\$427,890

  

<i>2022-23 Assessed Valuation</i>	<i>No. of Residential Parcels <sup>(1)</sup></i>	<i>% of Total</i>	<i>Cumulative % of Total</i>	<i>Total Valuation</i>	<i>% of Total</i>	<i>Cumulative % of Total</i>
\$0 - \$49,999	6,386	1.261%	1.261%	\$ 229,193,540	0.059%	0.059%
\$50,000 - \$99,999	15,201	3.002	4.264	1,193,916,942	0.306	0.364
\$100,000 - \$149,999	17,403	3.437	7.701	2,290,182,591	0.586	0.950
\$150,000 - \$199,999	28,329	5.595	13.297	5,168,484,405	1.323	2.273
\$200,000 - \$249,999	36,625	7.234	20.531	8,615,738,250	2.205	4.479
\$250,000 - \$299,999	42,384	8.372	28.902	11,932,367,520	3.054	7.533
\$300,000 - \$349,999	48,734	9.626	38.528	16,330,032,390	4.180	11.712
\$350,000 - \$399,999	49,705	9.818	48.346	18,857,232,015	4.827	16.539
\$400,000 - \$449,999	26,981	5.329	53.675	11,830,359,070	3.028	19.567
\$450,000 - \$499,999	29,934	5.912	59.588	14,569,117,272	3.729	23.296
\$500,000 - \$549,999	29,298	5.787	65.374	15,768,740,262	4.036	27.332
\$550,000 - \$599,999	27,653	5.462	70.836	16,063,572,394	4.112	31.443
\$600,000 - \$649,999	20,106	3.971	74.808	12,695,491,368	3.249	34.693
\$650,000 - \$699,999	15,499	3.061	77.869	10,678,516,519	2.733	37.426
\$700,000 - \$749,999	13,014	2.570	80.439	9,627,718,158	2.464	39.890
\$750,000 - \$799,999	12,088	2.388	82.827	9,440,607,120	2.416	42.307
\$800,000 - \$849,999	10,209	2.016	84.843	8,349,318,351	2.137	44.444
\$850,000 - \$899,999	8,809	1.740	86.583	7,814,296,529	2.000	46.444
\$900,000 - \$949,999	7,656	1.512	88.096	7,293,741,048	1.867	48.311
\$950,000 - \$999,999	6,636	1.311	89.406	6,551,377,728	1.677	49.988
\$1,000,000-and greater	<u>53,634</u>	<u>10.594</u>	100.000	<u>195,397,404,342</u>	<u>50.012</u>	100.000
	506,284	100.000%		\$ 390,697,407,814	100.000%	

<sup>(1)</sup> 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**

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Valuation <sup>(1)</sup>	\$ 8,654	\$ 8,520	\$ 6,285	\$ 6,091	\$ 7,968
Residential <sup>(2)</sup>	3,940	3,437	2,930	2,743	3,690
Non-Residential <sup>(3)</sup>	1,256	1,091	1,187	871	1,196
Miscellaneous Residential <sup>(4)</sup>	180	173	129	232	365
Miscellaneous Non-Residential <sup>(5)</sup>	40	146	46	18	2
Number of Residential Units:					
Single family <sup>(6)</sup>	3,598	3,739	2,685	3,122	4,430
Multi-family <sup>(7)</sup>	<u>12,659</u>	<u>10,693</u>	<u>9,171</u>	<u>10,898</u>	<u>12,324</u>
Subtotal Residential Units	16,257	14,432	11,856	14,020	16,754
Number of Non-Residential Units <sup>(8)</sup>	12	1	0	512	504
Miscellaneous Residential Units <sup>(9)</sup>	4,614	5,014	3,017	4,664	6,320
Miscellaneous Non-Residential Units <sup>(10)</sup>	493	475	257	480	46
<b>Total Units</b>	<b>21,376</b>	<b>19,922</b>	<b>15,130</b>	<b>19,676</b>	<b>23,624</b>

(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.

**APPENDIX B**

**FORM OF APPROVING OPINION OF NOTE COUNSEL**

*Upon the delivery of the Notes, Nixon Peabody LLP, Note Counsel to the City of Los Angeles, proposes to deliver its approving opinion in substantially the following form:*

***[TO COME FROM BOND COUNSEL]***

## APPENDIX C

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix C concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interests in or other confirmation of ownership interests in the Notes or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

*The following description of the procedures and record-keeping with respect to beneficial ownership interests in the Notes, payment of principal, interest and other payments with respect to the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representation is made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

The Depository Trust Company, New York, NY, 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 fully-registered Note certificate will be issued for each maturity of the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and additional certificates will be issued in aggregate principal amounts up to \$500 million each with respect to any remaining principal amount of such maturity.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The foregoing internet addresses are included for reference only, and the information on such internet site is not incorporated by reference 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 Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. 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 certificates representing their ownership interests in 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. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 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 only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

## **Exhibit D – Costs of Issuance Agreement**



\$[\_\_\_\_\_]  
**CITY OF LOS ANGELES, CALIFORNIA**  
**2023 TAX AND REVENUE ANTICIPATION NOTES**

**COSTS OF ISSUANCE AGREEMENT**

This Costs of Issuance Agreement (the “Agreement”) dated as of July 1, 2023 has been entered into by and between the City of Los Angeles (the “City”) and U.S. Bank Trust Company, 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 2023 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 UBS Financial Services 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 November 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 [\_\_\_], 2023, 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 10007
ABA:	021000021
Account Name:	City of Los Angeles Treasurer General Depository
Account Number:	[_____]
Ref Info:	2023 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 November 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**

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION, as  
Custodian**

By: \_\_\_\_\_  
Authorized Officer

By: \_\_\_\_\_  
[ ]

APPROVED AS TO FORM:

**HYDEE FELDSTEIN SOTO, CITY  
ATTORNEY**

By: \_\_\_\_\_  
Deputy City Attorney

[Signature Page to Costs of Issuance Agreement]

## **Exhibit A**

### **Titles of Authorized Officers and Specimen Signatures**

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Benjamin Ceja  
Assistant City Administrative Officer

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Ha To  
Chief of Debt Management

### Schedule of Costs\*

\*To be paid in accordance with instructions in the respective invoices attached.

## **Attachment B – List of Borrowable Special Revenue Funds**

**City of Los Angeles**  
**Estimated Cash Balances - Interfund Borrowing Funds**  
**As of October 31, 2023**  
**(In Millions)**

<b>Fund No.</b>	<b>Fund Name</b>	<b>Estimated Available Cash</b>
300	Library	\$ 66.0
301	Municipal Sports Accounts	31.0
302	Recreation & Parks	334.4
342	Telecom Liq Damage & Lost Fr Fees	29.3
363	Special Parking Revenue	47.4
43K	Proposition K Projects	118.6
48R	Building & Safety Permit Enterprise	318.1
52H	Recreation and Parks Golf	41.1
53P	State AB1290	89.8
556	Intergrated Solid Waste Management	38.3
58V	Development Sevices Trust	46.9
59V	Road Maintenance and Rehabilitation Program	223.8
59T	City of Los Angeles Housing Impact	102.7
682	Engineering Special Service	143.8
834	Public Work Trust	86.9
<b>Total</b>		<b>\$ 1,718.1</b>