APPENDIX A

CITY OF LOS ANGELES

INFORMATION STATEMENT

As of August 18, 2020

Table of Contents

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.

Particularly because of the evolving nature of the current COVID-19 public health crisis described herein, no assurance can be given that any estimates of future impact described herein will be achieved, and actual results may differ materially from the potential impact described herein. All projections, forecasts, estimates, assumptions and other forward-looking statements in this Appendix A are expressly qualified in their entirety by this cautionary statement.

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

OVERVIEW OF THE CITY'S FINANCIAL CONDITION

COVID-19 Pandemic

In response to the global outbreak of a novel coronavirus, COVID-19, a number of actions have been taken at various levels of government: the President of the United States declared a national state of emergency, the Governor of the State of California (the "State") declared a state of emergency and issued various executive orders, and the County of Los Angeles (the "County") Department of Public Health issued various orders closing businesses and directing people to stay in their homes or at their place of residence, except for very limited purposes (the "Safer at Home" order). The Mayor of the City of Los Angeles (the "City") issued his own Safer at Home order, and called for the closure of most "non-essential" businesses including most retail, bars and nightclubs, movie theaters, live performance venues, bowling alleys, arcades and gyms, and prohibited dine-in service at restaurants. Beginning on May 6, 2020, several modifications were made to the Safer at Home order to allow for businesses and recreational facilities to re-open, provided that safety protocols are followed. Due to growing numbers of reported cases, some of those modifications have been reversed by State, County and City orders. There can be no assurance that more restrictive safety protocols (including business closures) will not be imposed or reimposed in the future, depending on the course of the COVID-19 pandemic and other factors.

The ongoing COVID-19 pandemic and the social distancing measures implemented to contain its spread have had an immediate adverse impact on City operations, increasing City expenditures and reducing receipts, the latter by altering the behavior of businesses and people in a manner that has negatively impacted global and local economies. Estimates of such impacts are likely to materially change as the pandemic unfolds and the City obtains additional information on the total amount of its COVID-19-related expenditures and revenue losses. The actual impact of COVID-19 on the City, its economy, and its budget and finances will heavily depend on future events, including future events outside of the control of the City, and actions by the federal government and the State as well as nations across the world. The City believes that it may be some time before it is able to determine the full impact COVID-19 will have on the City's economy and its financial condition.

Fiscal Year 2019-20

Primarily due to the impact of the pandemic on revenues, the City undertook several updates of its estimated Fiscal Year 2019-20 revenues. The Mayor's Fiscal Year 2020-21 Proposed Budget, released April 20, 2020, lowered the estimate for Fiscal Year 2019-20 General Fund revenues by $108.5 million from the $6.57 billion originally stated in the Fiscal Year 2019-20 Adopted Budget. In a subsequent report dated June 11, 2020, the City Administrative Officer ("CAO") revised revenue estimates based on receipts through May 2020. In that report, the CAO estimated a total revenue shortfall of $253.5 million below the Fiscal Year 2019-20 Adopted Budget.

While the City made various adjustments to appropriations throughout the fiscal year, it did not reduce overall appropriations in Fiscal Year 2019-20 from the $6.57 billion in the Fiscal Year 2019-20 Adopted Budget. Therefore, in order to balance the Fiscal Year 2019-20 Budget, the City instead authorized a transfer from the Reserve Fund to address the revenue shortfall. The CAO has estimated that a $206.4 million transfer would be needed to address the budgetary shortfall. The actual amount transferred will not be known until the Controller's annual Preliminary Financial Report, typically released in October.

Fiscal Year 2020-21

The City's Fiscal Year 2020-21 Budget estimates General Fund revenues for Fiscal Year 2020-21 will be approximately $6.69 billion, all of which was appropriated in the Fiscal Year 2020-21 Budget. These estimated revenues are based on assumptions formulated in the early days of the pandemic, relying on data from prior recessions. While the estimated revenues were based on the assumption that the City's Safer at Home orders would be lifted by the end of May 2020, the depth of the pandemic required that those orders stay in effect until June 13, to be replaced with a "Safer L.A." order that, while allowing the resumption of some business activity, still imposed major restrictions. Since that time, both the Governor and the County Health Officer have required new restrictions due to increasing cases and hospitalizations. The length and extent of the restrictions, and thus the impact on City revenues, is impossible to predict.

While the Fiscal Year 2020-21 Budget projects declines in most economically-sensitive revenues, it still projects an overall net increase in General Fund revenues. Some of that increase is attributed to property tax, which is based on assessed valuation from January 2020. Other projected revenues reflect receipts earned in Fiscal Year 2019-20 but expected to be received in Fiscal Year 2020-21. Fiscal Year 2020-21 estimates have not been revised since the Mayor's Fiscal Year 2020-21 Proposed Budget was released on April 20, 2020, and therefore do not carry forward the updated revenue assumptions for Fiscal Year 2019-20 contained in subsequent reports.

Illustrating the significant downside risks associated with the Fiscal Year 2020-21 Budget revenue estimates, both the City Controller and the Office of Finance presented more pessimistic revenue ranges. The Controller's April 15, 2020 forecast estimated General Fund revenues to be lower than the Fiscal Year 2020-21 Budget by $70 million to $570 million. On May 7, 2020, the Office of Finance reported that the tax revenues for which it administers collections could fall by $45 million to $400 million below the Fiscal Year 2020-21 Budget revenues. The projections included in the Fiscal Year 2020-21 Budget, Controller's forecast and Office of Finance report are not directly comparable because each used different ranges of assumptions on the pandemic's impact, included different sets of information available at the time of their development and, with respect to the Controller's forecast and the Office of Finance report, did not take into consideration proposed actions that will increase revenues, as presented in the Fiscal Year 2020-21 Budget. The Controller's forecast and Office of Finance report are reference for illustrative purposes, to demonstrate the range of unpredictability facing the City's General Fund revenues in Fiscal Year 2020-21. The uncertainty facing the City as a result of COVID-19 is expected to require the Mayor and the City Council to regularly revisit the Fiscal Year 2020-21 General Fund revenue projections and make adjustments throughout the year as the trends and potential shortfalls become clearer.

The Fiscal Year 2020-21 Budget includes over $231 million in General Fund budget cuts, including $81 million in General Fund savings generated through civilian furloughs (with an additional $58 million in savings generated in special funds). The City worked with its labor unions to develop alternative solutions that would generate savings to offset at least a portion of the need for furloughs during Fiscal Year 2020-21. On June 30, 2020, the Council approved a Separation Incentive Program (SIP), as described below **(see "BUDGET AND FINANCIAL OPERATIONS—Fiscal Year 2020-21 Budget")**. The maximum savings that could be generated by this program is less than the savings projected for furloughs.

The Fiscal Year 2020-21 Budget also estimates that special fund revenues will decline by 7.2 percent. Several special funds face the risk of additional revenue reductions. If this risk is realized, it is possible that a General Fund backfill will be required to sustain some services.

City's Reserve Fund, Budget Stabilization Fund and Reserve for Mid-Year Adjustments

While the actual number will not be known until later in the fiscal year, the CAO currently estimates that the Reserve Fund (comprised of an Emergency Reserve Account and a Contingency Reserve Account, as described below) will have begun Fiscal Year 2020-21 at $242.7 million, or 3.63 percent of estimated Fiscal Year 2020-21 General Fund revenues (as presented in the Fiscal Year 2020-21 Budget), reflecting among other things the $206.4 million transfer estimated for Fiscal Year 2019-20 described above. This would represent a reduction of the Reserve Fund balance from $407.2 million on July 1, 2019. The City's Financial Policies require the Reserve Fund to have a minimum balance of 5 percent of all General Fund revenues. This would be the first time since Fiscal Year 2011-12 that the Reserve Fund would begin the Fiscal Year below the 5 percent threshold.

The CAO currently estimates that the Budget Stabilization Fund ("BSF") will begin Fiscal Year 2020-21 with a $116.2 million fund balance. The City's Financial Policies require a deposit into the BSF if the City's revenues from the seven economically sensitive General Fund taxes exceed an annual growth threshold based on the City's 20-year historical averages. Since projected revenues from those taxes for Fiscal Year 2020-21 are below the BSF annual growth threshold, the Fiscal Year 2020-21 Budget does not require a deposit into the BSF. Pursuant to the City's Financial Policies, the City could withdraw $38 million for Fiscal Year 2020-21 from the BSF, but the Fiscal Year 2020-21 Budget does not provide for such withdrawal.

Fiscal Year 2020-21 began with a reserve for mid-year adjustments in the Unappropriated Balance of $33.9 million, which would be available for appropriations during the fiscal year to meet contingencies as they arise.

COVID-19 Expenditures and Potential Reimbursement

COVID-19-related federal aid includes $694.4 million from the Coronavirus Relief Fund and $218.2 million from other federal programs. Another $19.3 million for COVID-related homeless programs has been funded by the State. The City anticipates that the Federal Emergency Management Agency ("FEMA") will reimburse 75 percent of all eligible costs, which will include only extraordinary costs of the City related to COVID-19. According to a "Frequently Asked Questions" publication from the federal Treasury Department released on June 24, 2020, the Coronavirus Relief Fund can be used to pay the remaining 25 percent of eligible expenses. It should be noted that, in past emergencies, the City has not successfully recovered all eligible expenses from FEMA.

The City currently estimates that it has spent $256.4 million related to COVID-19 as of June 30, 2020 and will incur an additional $291.4 million through December 31, 2020, resulting in total estimated expenditures of $547.8 million from the beginning of the pandemic through December 31, 2020; the period for incurring eligible expenditures for Coronavirus Relief Fund reimbursement ends on December 30, 2020. Among these expenditures is a $100 million program that would provide up to $2,000 in rental assistance for low-income households who have lost work, fallen ill or had to assist sick family members during the crisis.

Expenditures for the City's response to the COVID-19 pandemic have been financed from existing budget appropriations from the General Fund and special funds, and transfers from the City's Reserve Fund and from special funds, with expectations that all or most of these costs will be reimbursed from federal and State sources.

During Fiscal Year 2019-20, the City advanced $125 million from its Building and Safety Building Permit Fund to provide cashflow for COVID-related expenditures, as well as advancing $30 million from the Reserve Fund. On July 1, 2020, the City took an action to repay the $125 million loan from the Building and Safety Building Permit Fund and $20 million from the Reserve Fund using the Coronavirus Relief Fund; as part of this action, a new Reserve Fund advance of $12 million was authorized to acquire personal protective equipment. The Mayor has since directed the Controller to advance $75 million from the Public Works Trust Fund to provide advance funding for COVID-related expenditures in Fiscal Year 2020-21. Additional advances from the Reserve Fund or special funds may be required to finance COVID-related expenditures.

While the City has or expects to receive certain funds from the State and the federal government described above and potentially additional funds, the City does not have the ability to ascertain how it will use most of these funds and, most importantly, is unable to determine how much the receipt of these funds will offset the emergency expenditures that the City has spent or may spend from its General Fund or special fund advances. In addition, all of the relief funding that the City expects from the State and the federal government is directed only at reimbursing or providing funding for direct COVID-19-related expenditures and the City has not received and, absent additional funding programs, does not currently expect to receive, funding from the State or the federal government to offset revenue losses as a result of COVID-19. Any unreimbursed advances of City funds could ultimately be a responsibility of the General Fund.

Neither estimates of federal and State grant assistance offered in response to the pandemic nor additional expenditures related to COVID-19 are included in the Fiscal Year 2020-21 Budget.

Budget Outlook

The City prepares a four-year budget forecast (the "Budget Outlook" or "Outlook"). The most recent Outlook, prepared June 3, 2020, projects annual budget gaps ranging as high as $228 million through Fiscal Year 2023-24. The key drivers of this structural imbalance are reduced revenues in Fiscal Year 2020-21 from the negative impacts of COVID-19; growth in compensation, based on approved labor agreements; and increased contributions to retirement systems based on earlier actuarial projections (which due to changes in assumptions will likely increase further). The Outlook makes several assumptions regarding levels of revenues and expenditures that remain highly uncertain and subject to many of the same factors as the estimates for Fiscal Year 2020-21 General Fund revenues. The Charter requires the City to close each of these gaps as part of that year's annual budget process. Nonetheless, at this time the Outlook does not reflect a structurally balanced budget. In order to achieve structural balance in the coming years, the City must reduce ongoing spending, increase ongoing revenues, or a combination of both.

Social Justice and Civil Unrest

In response to the social justice demonstrations and actions of civil unrest stemming from the death of George Floyd at the hands of Minneapolis police officers, which occurred in and around the City beginning on May 29, 2020, the Police, Fire and other departments were required to deploy additional resources to protect public health and safety, primarily in the form of overtime. (See **"Other Significant Challenges,"** below.) Some peaceful demonstrations were marred by incidents of looting, vandalism, and arson that resulted in significant damage and loss to public and private property. The State, County and City all declared emergencies due to these incidents, allowing the City to access some emergency funding.

The number of demonstrations has subsided, and the focus of various stakeholders has turned to the Police Department's budget and funding for social justice programs. On July 1, 2020, the Council took action to reduce the Police Department's budget by $150 million and reallocated $90 million to social services in disadvantaged communities and communities of color. The Council has made and is expected to make other organizational changes to support various activities promoting social justice. At this time, no prediction can be made as to the ultimate cost of such actions.

In addition, Black Lives Matter-LA has brought a lawsuit against the City, alleging excessive use of force and civil rights violations in connection with the recent protests. No estimate of the potential impact of the lawsuit is currently available.

Other Significant Challenges

Another continuing challenge predating the COVID-19 pandemic is addressing the needs of a large homeless population. The Fiscal Year 2020-21 Budget allocates approximately $113 million from the General Fund, $6 million in special funds, and $101 million in grant funding (in addition to $179 million in previously issued general obligation bond proceeds) toward addressing the homelessness crisis. The pandemic has significantly increased the demands and costs of serving this particularly vulnerable population, although a significant share of those costs is expected to be reimbursed from federal and State funds.

The City is also subject to a lawsuit for violating various State and federal laws in connection with homeless individuals living in and around freeways and overpasses in the City. In connection with that lawsuit, which is still ongoing, the City has agreed to provide 6,000 new beds within 10 months and another 700 beds over 18 months for homeless individuals who live near freeways as well as those over 65 or vulnerable to COVID-19. A preliminary estimate of the cost is $200 million. The City estimates that the annual cost of operations and services for this population is $120 million, of which the County has agreed to pay the City approximately $60 million per year for five years. The City has committed to fund the remaining half of the estimated annual operations and services costs. Such costs will total approximately $300 million over five years. (See "**Litigation**: *LA Alliance for Human Rights et al. v. City of Los Angeles et al"*). While the City anticipates that these obligations will be financed with COVID-related funds, these obligations could result in additional expenditures from the City's General Fund; no such General Fund expenditure is anticipated for Fiscal Year 2020-21.

Other long-term challenges that predate the COVID-19 pandemic include the City's accumulated liability for banked Police Department uncompensated overtime valued at approximately $124.6 million as of July 2020. The amount of this liability will naturally grow, as those hours that are not used as leave will become more expensive over time due to promotions and other salary increases of those Police Department personnel. The reduction in the Police Department's overtime account in the Fiscal Year 2020-21 Budget as a result of the transfer of funds from the police budget to non-law enforcement programs may result in more banked overtime.

The City is also exposed to a number of claims and lawsuits as described below under "**Litigation**." One such case is a Federal Accessibility Law Matter regarding an investigation by the U.S. Department of Justice ("DOJ") as to whether the City allegedly violated the False Claims Act in connection with certain federal accessibility law compliance certifications. If the DOJ were successful, the City could face potential exposure to treble damages, which, based on certain private parties' original complaint, was estimated to be approximately $3 billion. Due to the preliminary nature of the matter, an estimable liability amount is difficult to ascertain at this time.

Capital Infrastructure

Another area of long-term concern is the City's capital infrastructure needs, which surpass currently available resources. A number of large infrastructure projects the City has considered pursuing could result in major long-term commitments of funds. The City has a large backlog of needed street repairs, which would likely exceed $3 billion to address. 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. In addition, the City is considering major improvements to its civic centers and the Convention Center. The combined costs for these projects could reach $2 billion or more.

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 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 Los Angeles Regional Water Quality Control Board ("LARWQCB") estimated that the City's share of the costs of projects required to meet these requirements through 2021 is approximately $1.5 billion, and approximately $7.2 billion to meet its requirements through 2037. One source of funding for these CWA costs will be from a special parcel tax approved by Los Angeles County voters in 2018. The City expects to receive $34 million in Fiscal Year 2020-21.

Federal Public Corruption Investigation

On June 22, 2020, the United States Attorney filed a criminal complaint against Jose Huizar, a member of the Los Angeles City Council, alleging a violation of the Racketeer Influenced and Corrupt Organizations (RICO) Act in connection with a criminal enterprise in which the United States Attorney alleges that Mr. Huizar received at least approximately $1.5 million in bribes. Mr. Huizar was removed from his position as chair of the Planning and Land Use Management Committee in November 2018. On June 23, 2020, the Council voted unanimously to suspend Mr. Huizar from office in light of the charges. The federal criminal complaint implicates at least two former officials of the City. The federal criminal complaint against Mr. Huizar is part of an on-going public corruption investigation of City elected officials and staff members conducted by the Federal Bureau of Investigations and the United States Attorney's Office. Mitchell Englander, a former City Council member, resigned his City Council seat on December 31, 2018, and has pled guilty in connection with the investigation. In addition, another former City employee has plead guilty to charges in connection with the investigation. The City cannot predict the outcome of these investigations.

MUNICIPAL GOVERNMENT

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

The City is a charter city; under the State Constitution, charter cities such as the City are generally independent of the State Legislature in matters relating to municipal affairs. Charter cities, however, are subject to State Constitutional restrictions; see **"LIMITATIONS ON TAXES AND APPROPRIATIONS."** The most recent charter was adopted in 1999, became effective July 1, 2000, and has been amended a number of times by voter approval. In an amendment approved by voters in 2015 (Charter Amendment 1), the City's primary and general election dates were moved to June and November of even-numbered years, beginning in 2020, in order to align them with federal and state elections. The measure also extended the terms of officials elected in 2015 and 2017; these candidates were given five and a half year terms instead of the customary four to transition to the new election dates.

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

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

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

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

All citywide elected officials are subject to term limits of two four-year terms, while Council members are subject to term limits of three four-year terms.

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. Richard H. Llewellyn, Jr. has served as City Administrative Officer since February 2017.

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 Director of Finance is appointed by the Mayor and confirmed by the Council. Diana Mangioglu has been appointed to serve as Interim Director of Finance and City Treasurer upon the recent retirement of her predecessor, effective July 5, 2020.

The City has 39 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 2018-19 Results

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

The City's Comprehensive Annual Financial Report (the "CAFR") for the Fiscal Year Ended June 30, 2019 reported a deficit balance for the governmental activities' unrestricted net position of $6.98 billion, which was mainly due to the net pension liability of $5.96 billion, net OPEB liability of $2.19 billion, and deferred financing of certain liabilities (including claims and judgments, workers' compensation, and compensated absences).

The primary focus of the annual CAFR is reporting on fund financial statements, designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities. The General Fund is the primary operating fund of the City, and the focus of this Appendix A. It is used to account for all financial resources of the general government, except those required to be accounted for in other funds.

The following two tables summarize financial information for the General Fund contained in the City's audited Basic Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") for the periods indicated.

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

	2015	2016	2017	2018	2019
Assets					
Cash and Pooled Investments[1]	$1,084,125	$1,135,914	$1,137,680	$1,058,705	$1,291,607
Taxes Receivable	554,084	749,917	650,932	669,205	675,777
Accounts Receivable	131,040	124,661	116,666	107,631	109,123
Special Assessments Receivable	4,417	3,691	3,421	3,040	3,174
Investment Income Receivable	7,123	7,376	7,992	12,985	15,680
Intergovernmental Receivable	135,042	125,862	133,018	143,773	149,002
Loans Receivable	1	-	-	-	-
Due from Other Funds	50,870	109,640	68,638	115,287	84,183
Inventories	20,694	36,045	33,158	33,004	46,653
Prepaid Items and Other Assets	13,297	10	5	5	7
Advances to Other Funds	8,155	8,155	12,317	8,814	8,688
Total Assets	$2,008,848	$2,301,271	$2,163,827	$2,152,449	$2,383,894
Liabilities:					
Accounts, Contracts and Retainage Payable	$ 69,758	$ 77,061	$ 87,887	$ 83,488	$ 93,312
Obligations Under Securities Lending Transactions	12,703	36,108	13,914	33,339	21,874
Accrued Salaries and Overtime Payable	154,873	182,250	192,538	203,015	221,902
Accrued Compensated Absences Payable	15,654	17,733	9,887	9,254	8,381
Estimated Claims and Judgments Payable	39,922	54,364	65,534	69,831	66,284
Intergovernmental Payable	876	397	579	493	56
Due to Other Funds	47,891	84,503	90,237	133,283	141,905
Unearned Revenue	19	10	421	972	1,535
Deposits and Advances	28,349	24,793	34,724	9,094	12,974
Advances from Other Funds	47,304	32,775	24,032	18,391	12,499
Other Liabilities	53,246	71,264	143,892	45,737	37,248
Total Liabilities	$ 470,595	$ 581,258	$ 663,645	$ 606,897	$ 617,970
Deferred Inflows of Resources					
Real Estate Tax	$ 53,497	$ 55,325	$ 58,304	$ 62,674	$ 68,813
Taxes Other than Real Estate	314,960	417,584	348,324	344,215	377,206
Receivables from Other Government Agencies	132,692	120,010	121,432	125,663	131,890
Other Deferred Inflows of Resources	91,555	98,729	85,894	83,785	81,974
Total Deferred Inflows of Resources	$ 592,704	$ 691,648	$ 613,954	$ 616,337	$ 659,883
Fund Balances					
Nonspendable[2]	42,146	$ 44,210	$ 45,480	$ 41,823	$ 55,348
Restricted	-	-	-	-	-
Committed	2,457	1,296	9,723	25,151	33,092
Assigned[3]	253,388	392,418	304,482	289,080	334,195
Unassigned[4]	647,558	590,441	526,543	573,161	683,406
Total Fund Balances	$ 945,549	$1,028,365	$ 886,228	$ 929,215	$1,106,041
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$2,008,848	$2,301,271	$2,163,827	$2,152,449	$2,383,894

(1) Includes securities held under securities lending transactions, offset by the Liability "Obligations Under Securities Lending Transactions."
(2) Includes inventories and certain advances to other funds.
(3) Includes encumbrances, various revolving funds, and certain net receivables.
(4) Primarily consists of the City's Reserve Fund and Budget Stabilization Fund.

Source: City of Los Angeles, Comprehensive Annual Financial Reports.

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

	2015	2016	2017	2018	2019
Revenues:					
Property Taxes	$1,733,508	$1,808,486	$1,857,683	$1,958,033	$2,075,764
Sales Taxes	372,782	437,775	521,910	534,236	596,465
Utility Users Taxes	637,318	614,814	611,160	640,711	606,369
Business Taxes	500,774	507,635	546,494	534,994	617,169
Other Taxes	552,549	586,375	641,755	688,804	729,649
Licenses and Permits	22,604	32,728	37,133	38,777	34,157
Intergovernmental	39,284	20,691	15,337	17,822	23,062
Charges for Services[(1)]	617,481	318,462	243,379	315,900	306,462
Services to Enterprise Funds	273,171	317,265	328,511	316,245	326,650
Fines	156,006	152,304	147,023	141,346	135,526
Special Assessments	1,259	1,869	1,490	1,755	1,825
Investment Earnings	20,736	38,891	25,353	33,024	84,257
Change in Fair Value of Investments[(2)]	-	-	(23,740)	(26,754)	-
Other	79,816	55,742	54,116	55,039	99,717
Total Revenues	$5,007,288	$4,893,037	$5,007,604	$5,249,932	$5,637,072
Expenditures:					
Current:					
General Government	$1,333,453	$1,316,146	$1,356,842	$1,332,676	$1,336,331
Protection of Persons and Property	2,771,591	2,797,742	2,874,117	2,963,819	3,095,356
Public Works	170,510	112,473	268,201	186,390	193,846
Health and Sanitation	174,136	131,438	87,722	95,705	111,680
Transportation	110,336	105,354	129,893	119,240	107,590
Cultural and Recreational Services	54,992	57,815	12,222	61,996	61,120
Community Development	43,966	2,391	79,002	39,074	54,000
Capital Outlay	29,540	46,467	23,359	27,858	110,000
Debt Service: Interest	1,472	4,339	9,116	13,524	23,538
Debt Service: Cost of Issuance	927	807	931	763	518
Total Expenditures	$4,690,923	$4,574,972	$4,841,405	$4,841,045	$5,093,979
Excess (Deficiency) of Revenues Over Expenditures	$ 316,365	$ 318,065	$ 166,199	$ 408,887	$ 543,093
Other Financing Sources (Uses)					
Transfers In	$ 302,147	$ 349,928	$ 297,649	$ 277,315	$ 265,723
Transfers Out	(573,493)	(600,527)	(603,044)	(643,061)	(724,032)
Loans from Capital Leases	-	-	-	-	78,393
Total Other Financing Sources (Uses)	(271,346)	(250,599)	(305,395)	(365,746)	($379,916)
Net Change in Fund Balance	45,019	67,466	(139,196)	43,141	163,177
Fund Balances, July 1	898,479	945,549	1,028,311[(3)]	886,228	929,215
(Decrease) Increase in Reserve for Inventories	2,051	15,350	(2,887)	(154)	13,649
Fund Balances, June 30	$945,549	$1,028,365[(3)]	$ 886,228	$ 929,215	$1,106,041

(1) Reduction in these revenues for Fiscal Year 2015-16 reflect changes in reporting of certain inter-fund reimbursements for expenditures that were front-funded by the General Fund and recognized as revenues in prior fiscal years.

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

(3) In compliance with GASB implementation guidelines on fund categories, certain funds were reassigned between Special Revenue Fund type and General Fund type, thereby resulting in the differences in fund balances.

Source: City of Los Angeles, Comprehensive Annual Financial Reports.

City's Budgetary Process

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

The Mayor's Proposed Budget is reviewed by the Council's Budget and Finance Committee, which reports its recommendations to the full Council. The Council is required by City Charter to adopt the Mayor's Proposed Budget, as modified by the Council, by June 1. 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. The City is not aware that it has ever failed to meet these City Charter deadlines for budget action.

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. As instructed by the Mayor and Council, the CAO issues interim financial status reports (each an "FSR") as deemed necessary. 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.

Given the extraordinary circumstances surrounding the Fiscal Year 2020-21 Budget, the City expects more frequent review, with the Council, subject to the Mayor's approval, making various adjustments throughout the fiscal year, which will be reported and tracked as part of the financial status reports.

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

Fiscal Year 2019-20 Budget and Projected Results

Primarily due to the impact of the pandemic on revenues, the City undertook several updates of its estimated Fiscal Year 2019-20 revenues. The Mayor's Fiscal Year 2020-21 Proposed Budget, released April 20, 2020, lowered the estimate for Fiscal Year 2019-20 General Fund revenues by $108.5 million from the $6.57 billion originally stated in the Fiscal Year 2019-20 Adopted Budget. In a subsequent report dated June 11, 2020, the CAO further revised revenue estimates based on receipts through May 2020. In that report, the CAO estimated a total revenue shortfall of $253.5 million below the Fiscal Year 2019-20 Adopted Budget.

While the City made various adjustments to appropriations throughout the fiscal year, it did not reduce overall appropriations in Fiscal Year 2019-20 from the $6.57 billion total appropriated in the Adopted Budget. In order to provide sufficient flexibility to address revenue shortfalls, the Mayor and Council authorized a transfer of up to $288 million from the Reserve Fund.

The City's most recent estimate for Fiscal Year 2019-20 revenues was contained in a report dated June 29, 2020 from the Chief Legislative Analyst (the "CLA"), who serves as staff to the City Council. Based on that revenue estimate, revenues were projected to be $47.1 million higher than was estimated in the CAO's June 11, 2020 report. Based on the year-end forecast contained in this report, the City estimates that only $206.4 million was transferred from the Reserve Fund to address the revenue shortfall; the actual amount will not be known until the Controller's annual Preliminary Financial Report, typically released in October.

Based on the updated revenue estimate, the CAO expects that the City's Reserve Fund balances will significantly decline during Fiscal Year 2019-20, resulting in a July 1, 2020 Reserve Fund of $242.7 million, or 3.63 percent of General Fund revenues, down from a July 1, 2019 Reserve Fund of $407.2 million.

Fiscal Year 2020-21 Budget

The Mayor released his Fiscal Year 2020-21 Proposed Budget on April 20, 2020. The Council's Budget and Finance Committee did not hold formal hearings on the Proposed Budget, but instead forwarded it to the full City Council for consideration. Due to the extraordinary nature of the Fiscal Year 2020-21 budgetary challenges, the Council deliberated on the Mayor's Fiscal Year 2020-21 Proposed Budget, but rather than approving or modifying it, referred it back to its Budget and Finance Committee. As the City Council took no action with respect to the Mayor's Fiscal Year 2020-21 Proposed Budget, pursuant to the City Charter, on June 1, 2020, Mayor's Fiscal Year 2020-21 Proposed Budget became the City's Budget for Fiscal Year 2020-21 (the "Fiscal Year 2020-21 Budget").

Despite projected declines in certain economically-sensitive tax revenues such as transient occupancy, parking occupancy, utility users and sales taxes, the Fiscal Year 2020-21 Budget estimates overall modest net increase in General Fund revenue of 1.8 percent above the original Fiscal Year 2019-20 Adopted Budget. This increase includes $58.5 million representing the receipt of Fiscal Year 2019-20 business tax and other revenues that were delayed during the pandemic due to the closure of city offices and deferred tax collection efforts; these deferred receipts are being treated as one-time revenues. Special fund revenues are anticipated to decline by 7.2 percent, which includes revenues derived from gas taxes and sales taxes collected by the Los Angeles County Metropolitan Transportation Authority and transferred to the City.

The COVID-19 pandemic became a national crisis only a few weeks before the release of the Fiscal Year 2020-21 Proposed Budget. At the time of budget development, the pandemic's effect on the local economy was just beginning and the revenue projections were not based on any actual economic data or fully equivalent historical precedence that could indicate how the pandemic would impact the local economy. Some of the assumptions on which the Fiscal Year 2020-21 Budget was based may now prove optimistic.

The following are some of the assumptions included in the Fiscal Year 2020-21 Budget and a description of the associated risks should those assumptions not materialize:

- The recession assumptions for economically sensitive revenues were based on a single nonessential business closure event ending by the end of May 2020, with the City being able to safely return to full-service delivery with the pandemic constrained, thus restoring revenues from departmental receipts without a decline in those revenues. As of the date of this Official Statement, while some businesses had been permitted to re-open provided that certain safety protocols are followed, including reductions in capacity for many businesses, a number of businesses have been ordered to reclose due to a rise in diagnosed cases of COVID-19 in Los Angeles County and throughout the State.

- Business tax estimates assume a seven percent decline in annual tax renewals for non-cannabis-related business activity, which is on par with previous recessions, offset by the late receipt of revenues originally due in Fiscal Year 2019-20. Cannabis-related activity is projected to continue to grow. Both the growth in cannabis-related receipts and delayed payments account for projected net growth in business tax estimates.
- Both the electrical users tax and the transfer from the Power Revenue Fund are based on projections by DWP that reflect a load forecast from June 2018. While revenue estimates are based on lower-range estimates from that data, they have not been further revised to reflect the potential impact of the COVID-19 pandemic on electricity usage.
- While sales tax revenue is assumed to decline by 5 percent, the extent of that decline could be even greater.
- The transient occupancy tax and parking occupancy tax revenue forecasts assume a double-digit decline in receipts that exceed those of the Great Recession or the dotcom collapse and concurrent September 11 terrorist attacks. Slow recovery is also assumed.
- The Fiscal Year 2020-21 Budget assumes growth in property tax receipts, as assessed valuation is projected to increase. Over the longer term, this tax could be affected by the recession if it spills over into the housing market. The most acute risk is likely to be the documentary transfer tax, which assumes the recent modest growth will stop, but does not include any decline in this historically volatile revenue source.
- Despite declines in parking fine revenues in prior years, Fiscal Year 2019-20 revenues were increasing before the start of the pandemic; those receipts have significantly declined as a result of relaxed parking enforcement. The Fiscal Year 2020-21 Budget assumes a resumption of the prior recent growth trend.

None of the Fiscal Year 2020-21 revenue forecasts have been updated since the Mayor's Fiscal Year 2020-21 Proposed Budget was prepared to reflect more current revenue projections for Fiscal Year 2019-20 provided in a CAO report dated June 11, 2020 that were based on May 2020 tax receipts or the CLA's June 29, 2020 report.

While the Fiscal Year 2020-21 Budget includes adequate funding to pay for all existing labor agreements and associated salary increases, it also incorporates various General Fund reductions totaling $231 million. These reductions include $81 million in General Fund savings that were expected to be generated through civilian furloughs (with an additional $58 million in savings generated in special funds, for a total of $139 million). On June 30, 2020, the City approved agreements with the City's civilian labor unions that would allow the City to move forward with the implementation of a Separation Incentive Program ("SIP") that offers a cash payment to eligible City employees if they retire. The City estimates that 2,850 employees would be eligible for the program. If all of those employees took advantage of the program, the CAO estimates Fiscal Year 2020-21 savings of $58.7 million in the General Fund and special funds. A minimum of 1,300 eligible employees must successfully enroll in the SIP in order for it to be implemented. Even if implemented, the SIP program would not generate the full value of savings assumed from furloughs in the Fiscal Year 2020-21 Budget. Nevertheless, the City will forgo four furlough days and the associated savings during the enrollment period, which is equivalent to approximately $23.1 million from the General Fund and special funds. The City may implement furloughs following the enrollment period whether the SIP is implemented or not. If the SIP is not implemented, the City will need to make other adjustments to offset the lost savings from the four forgone furlough days. The City may also continue to pursue alternatives to furloughs in collaboration with its labor organizations and/or through other budget reduction exercises.

Other actions required to balance the Fiscal Year 2020-21 Budget include a hiring freeze, which is projected to generate $31 million in General Fund savings, and reductions to civilian ($21 million) and sworn ($9 million) salary accounts to capture current year salary savings, to the capital programs ($16 million), to various expense accounts ($15 million), and to reserves for liabilities $20 million). The funding for the accounts dedicated to liability payments is below the actual spending level in recent years and may pose a risk for unfunded expenditures in Fiscal Year 2020-21.

The expenditure reductions required to balance the Fiscal Year 2020-21 Budget will impact the City's service level across most programs. The failure to meet these or other equivalent reductions could seriously impact the City's financial condition.

The Fiscal Year 2020-21 Budget is also exposed to risks to special fund revenues, which could be further reduced if the economic impacts of the COVID-19 response extend for longer than expected. Special funds that derive their revenues from sales tax, gas tax, admissions fees, and parking receipts are at particular risk. The Fiscal Year 2020-21 Budget attempted to anticipate these risks, and where possible allocated a portion of these revenues to projects whose commencement will be held until January 2021 and will be contingent upon receipts. The General Fund could also be required to support the Departments of Recreation and Parks, the Zoo, and the El Pueblo Historical Monument if closures during Fiscal Year 2020-21 extend for longer than three months (representing the amount reserved in the Unappropriated Balance, as discussed below).

The uncertainty facing the City as a result of COVID-19 will require the Mayor and the Council to regularly revisit the Fiscal Year 2020-21 General Fund revenue projections and make adjustments to expenditures throughout the fiscal year as the trends become clearer. The Council and Mayor already took several actions on July 1, 2020 that adjusted the 2020-21 Budget. The most notable of these actions are the following:

- Reimbursement to the Reserve Fund in the amount of $20 million for an advance of funds to provide for COVID-19 related expenditures from the Coronavirus Relief Fund;

- An advance of $12 million from the Reserve Fund for personal protective equipment;

- Reimbursement to the Building and Safety's Building Permit Enterprise Fund in the amount of $125 million plus interest for an advance of funds to provide for COVID-19 related expenditures from the Coronavirus Relief Fund; and

- Reductions to the Police Department's budget by $150 million, primarily from the police sworn salaries, overtime and recruitment accounts, with these funds reallocated to the following budget accounts: $90 million to a new Unappropriated Balance ("UB") line item entitled "Reserve for Preservation of City Services, Reinvestment in Disadvantaged Communities and Communities of Color, Reimagining Public Safety Service Delivery, and Target Local Hire Program; $10 million to the Summer Youth Employment and Workforce Development program; $40 million to a new UB line item entitled "Reduction of Furloughs," which will be available to offset lost savings from the furloughs forgone during the Separation Incentive Program enrollment period; and $10 million to various other accounts in the UB, including an additional $4.3 million to the UB Reserve for Mid-Year Adjustments.

With the exception of the above, no other expenditures relating to the pandemic and no revenues from reimbursement from federal or State sources are reflected in the revenue and expenditure assumptions of the Fiscal Year 2020-21 Budget.

The following table presents the Fiscal Year 2020-21 Budget and the adopted budgets for the preceding Fiscal Years. These budgets include the General Fund and most special revenue funds, but exclude those operations not under the direct control of the Council (i.e., Airports, Harbor, Water and Power departments, LACERS and LAFPP). The table does not reflect changes made to the budgets subsequent to its original adoption, which for Fiscal Year 2019-20 in particular are substantial due to pandemic-related revenue shortfalls, or the adjustments made to the Fiscal Year 2020-21 since it began. With respect to both the historical budgetary information and the projected budgetary information set forth below and elsewhere in this Appendix A, it is not possible to predict whether the trends set forth in the tables will continue in the future.

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

Revenues	2016-17	2017-18	2018-19	2019-20	2020-21[1]
General Fund					
Property Taxes [2]	$1,786,069,000	$1,833,755,000	$1,961,509,000	$2,115,611,000	$2,297,080,000
Property Tax – Ex-CRA Tax Increment	54,594,000	74,168,000	97,252,000	100,386,000	95,900,000
Other Taxes [3]	2,220,813,000	2,327,666,000	2,449,948,000	2,564,605,000	2,424,603,000
Licenses, Permits, Fees and Fines [4]	1,119,258,885	1,247,823,015	1,350,888,130	1,432,853,292	1,560,189,689
Intergovernmental [5]	291,000,000	242,500,000	238,000,000	235,600,000	224,100,000
Other General Fund [6]	85,000,457	76,586,999	60,861,940	83,994,246	50,856,187
Interest	19,700,000	23,957,000	32,137,000	36,700,000	34,613,000
Total General Fund Revenue	$5,576,435,342	$5,826,456,014	$6,190,596,070	$6,569,749,538	$6,687,341,876
Special Purpose Funds					
Charges for Services and Operations [7]	$1,321,262,001	$1,561,406,303	$1,625,828,317	$1,832,475,709	$1,713,546,262
Transportation Funds [8]	356,414,969	393,912,507	496,879,264	618,102,159	597,452,919
Intergovernmental [9]	64,738,943	79,656,836	86,886,108	86,722,284	81,462,581
Special Assessments [10]	86,915,551	89,023,545	100,302,644	147,298,081	141,094,694
Other Special Funds	536,750,243	525,722,289	539,171,433	532,703,902	553,533,278
Available Balances	711,949,569	693,324,603	740,937,349	784,687,123	628,390,708
Total Special Fund Revenue	$3,078,031,276	$3,343,046,083	$3,590,005,115	$4,001,989,258	$3,715,480,442
City Levy for Bond Redemption and Interest	122,494,656	122,623,642	119,167,296	138,339,047	128,455,723
Total Receipts	$8,776,961,274	$9,292,125,739	$9,899,768,481	$10,710,077,843	$10,531,278,041
Appropriations by Funding Source					
General Fund					
Fire Department	$ 627,145,936	$ 639,273,170	$ 662,270,767	$ 682,509,340	$ 723,143,241
Police Department	1,435,223,677	1,517,200,993	1,551,479,094	1,676,632,617	1,796,387,613
Other Budgetary Departments	826,906,870	1,178,595,853	867,370,474	971,170,179	886,359,305
Tax and Revenue Anticipation Notes [11]	1,095,628,745	1,114,644,814	1,208,676,507	1,302,296,587	1,323,536,029
Capital Finance Administration [1]	205,223,909	209,459,534	221,353,665	223,750,313	211,750,313
Human Resources Benefits	629,485,100	682,788,227	730,656,927	743,564,377	800,593,969
Other General Fund Appropriations	756,821,105	484,493,423	948,788,636	969,826,125	945,571,406
Total General Fund	$5,576,435,342	$5,826,456,014	$6,190,596,070	$6,569,749,538	$6,687,341,876
Special Purpose Funds					
Budgetary Departments	$ 995,115,656	$1,090,933,010	$1,109,884,995	$1,206,897,557	$1,156,287,496
Appropriations to Proprietary Departments	106,556,869	102,313,802	102,313,802	117,561,561	113,351,104
Capital Improvement Expenditure Program	254,041,522	343,304,288	362,899,021	428,132,311	346,768,984
Wastewater Special Purpose Fund	490,986,961	521,469,820	559,438,564	597,021,942	576,990,112
Appropriations to Special Purpose Funds	1,231,330,268	1,285,025,163	1,455,468,733	1,652,375,887	1,522,082,746
Total Special Funds	$3,078,031,276	$3,343,046,083	$3,590,005,115	$4,001,989,258	$3,715,480,442
Bond Redemption and Interest Funds					
General Obligation Bonds	$ 122,494,656	$ 122,623,642	$ 119,167,296	$ 138,339,047	$ 128,455,723
Total (All Purposes)	$8,776,961,274	$9,292,125,739	$9,899,768,481	$10,710,077,843	$10,531,278,041

(1) The Fiscal Year 2020-21 Budget is not technically an "Adopted Budget," as it was not affirmatively approved by the Council, but rather represents the Proposed Budget that went into effect as the "General Budget" based on Charter provisions. See the "**City's Budgetary Process**." Revenues have not been updated to incorporate June 11, 2020 estimates for Fiscal Year 2019-20 or the CLA's June 29, 2020 report.

(2) 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. See **"MAJOR GENERAL FUND REVENUE SOURCES"** for a discussion of the State reallocation of revenues known as the "triple flip."

(3) Other taxes include utility users tax, business tax, sales tax, transient occupancy tax, documentary transfer tax, parking occupancy tax, and residential development tax.

(4) 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.

(5) Intergovernmental revenues include proprietary departments' transfers.

(6) Other General Fund receipts include grant receipts, tobacco settlement, transfers from the Special Parking Revenue Fund, Telecommunications Development Account Fund, Reserve Fund, and the Budget Stabilization Fund.

(7) Major revenue sources include the Sewer Construction and Maintenance Fund, the Convention Center Revenue Fund, the Special Parking Revenue Fund, the Zoo Enterprise Fund, the Building and Safety Fund, the Street Damage and Restoration Fee, and the Refuse Collection Fee.

(8) Revenue sources include the Special Gas Tax Street Improvement Fund, the Proposition A Local Transit Improvement Fund, the Proposition C Anti-Gridlock Transit Improvement Fund, the Measure R Traffic Relief and Rail Expansion Fund, and the Measure M Local Return Fund.

(9) Intergovernmental receipts include the Community Development Block Grant, the Local Public Safety Fund, and the Workforce Innovation Opportunity Act Fund.

(10) Special Assessments include the Street Lighting Maintenance Assessment Fund, the Stormwater Pollution Abatement Fund, the Measure W – Safe, Clean Water - Regional Projects Special Fund, and the Measure W – Safe, Clean Water – Municipal Program Special Fund.

(11) A significant portion of the City's TRAN proceeds are used to pay the annual contribution to LACERS and LAFPP. The budget line item for TRAN repayment is primarily for principal for this portion of the program, and is made in lieu of direct appropriations for contributions to the two retirement systems. See "**FINANCIAL OPERATIONS – Retirement and Pension Systems."** Interest due on the TRAN is also included in this line item.

(12) This fund is used to make lease payments on various lease revenue bonds, certificates of participation and commercial paper notes.

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

General Fund Budget Outlook

The CAO prepares the Four-Year Budget Outlook (the "Outlook") that compares projected revenues to projected expenditures. This Outlook, originally prepared in connection with the Fiscal Year 2020-21 Proposed Budget and projects through 2024-25, has been updated for this Appendix A to incorporate some revised assumptions. While the Outlook does not demonstrate structural balance, as it projects deficits in every year, prior Outlooks have often projected such budget deficits. The Outlook does not assume any ongoing budget balancing measures, and therefore deficits are compounded from year to year. The City's Charter requires that budgets must be balanced when adopted, which the City generally accomplishes through a combination of revenue increases, expenditure reductions, and transfers from reserves.

One of the challenging variables in both the Fiscal Year 2020-21 Budget and the Outlook is the forecast for the local economy and its impact on City revenues. While a recession was projected for Fiscal Year 2020-21, full recovery is projected in the Outlook for Fiscal Year 2021-22. From that point, revenue growth in future years is projected at historical averages. Pandemic-related layoffs in the general economy are not projected to result in permanent job loss, which would reduce all economy-sensitive revenues, including property and documentary transfer taxes. The current uncertainty regarding the full impacts of the COVID-19 pandemic is the biggest, and an unprecedented, challenge to achieving structural balance, and adverse change in Fiscal Year 2020-21 could carry forward to future years. (Fiscal Year 2020-21 revenue projections are based on the Fiscal Year 2020-21 Budget, and have not been adjusted to reflect the reduced revenue subsequently experienced from the pandemic since it was proposed.) Accordingly, there is substantial uncertainty concerning the revenue projections in the Outlook.

The Outlook does not include new economic and demographic assumptions recently adopted by the City's sworn and civilian retirement systems, including reducing the assumed investment rate of return from 7.25 percent to 7.00 percent. The Outlook assumes 0 percent investment earnings in both systems for Fiscal Year 2019-20, with returns of 7.25% in Fiscal Year 2020-21 and future years. The Outlook does not project any major General Fund increase in capital spending, despite the large potential projects noted in the "Overview of the City's Financial Condition." In addition, the Outlook only considers salary increases from current labor agreements. These agreements expire June 30, 2021 or June 30, 2022, and no forecast of future increases are included in the Outlook.

Table 4
GENERAL FUND BUDGET OUTLOOK
As prepared and updated in connection with the Fiscal Year 2020-21 Budget
($ in millions)

	2020-21	2021-22	2022-23	2023-24	2024-25
Estimated General Fund Revenues:					
General Fund Base[1]	$6,569.7	$6,687.3	$6,962.8	$7,173.7	$7,399.6
Revenue Growth[2]					
Property Related Taxes[3]	179.5	109.7	86.3	101.6	107.6
Business and Sales Taxes[4]	(3.3)	46.2	58.0	54.5	49.9
Utility Users Tax[5]	(37.5)	25.6	8.3	9.4	10.4
Departmental Receipts[6]	108.4	32.2	36.9	37.9	38.9
Other Fees, Taxes and Transfers[7]	(99.9)	66.0	21.4	22.5	23.6
SPRF Transfer[8]	(29.6)	(4.2)	-	-	-
Transfer from the Budget Stabilization Fund[9]	-	-	-	-	-
Transfer from Reserve Fund[10]	-	-	-	-	-
Total Revenues	**$6,687.3**	**$6,962.8**	**$7,173.7**	**$7,399.6**	**$7,630.0**
General Fund Revenue Increase (Decrease) %	***1.8%***	***4.1%***	***3.0%***	***3.1%***	***3.1%***
General Fund Revenue Increase (Decrease) $	***117.6***	***275.5***	***210.9***	***225.9***	***230.4***
Estimated General Fund Expenditures:					
General Fund Base [11]	$6,569.7	$6,687.3	$7,190.9	$7,402.1	$7,563.0
Incremental Changes to Base:[12]					
Employee Compensation Adjustments[13]	226.9	326.8	107.7	47.9	72.0
City Employees' Retirement System[14]	(26.7)	88.5	33.0	27.2	31.5
Fire and Police Pensions[14]	47.1	13.2	49.4	36.4	31.3
Workers Compensation Benefits[15]	32.0	(10.7)	6.8	11.6	18.6
Health, Dental and Other Benefits[16]	25.0	23.1	31.0	32.6	34.3
Debt Service[17]	(18.5)	11.4	(35.5)	(5.8)	7.5
Delete Resolution Authorities[18]	(94.2)	-	-	-	-
Add New and Continued Resolution Authorities[18]	85.6	-	-	-	-
Delete One-Time Costs[19]	(51.7)	(6.4)	-	-	-
Add One-Time Costs[19]	19.6	-	-	-	-
Comprehensive Homeless Strategy[20]	7.0	(10.0)	-	-	-
Unappropriated Balance[21]	(9.6)	(19.5)	-	-	-
City Elections[22]	(1.0)	7.0	(0.7)	(3.3)	(0.7)
CIEP – Municipal Facilities & Physical Plant[23]	(16.5)	4.8	-	-	-
CIEP – Sidewalks[24]	(0.9)	2.4	5.7	-	-
CIEP – Pavement Preservation[25]	(16.4)	27.8	3.2	3.3	3.4
Appropriation to the Reserve Fund[26]	4.7	(12.3)	-	-	-
Appropriation to the Budget Stabilization Fund[27]	-	6.2	(6.2)	-	-
Net - Other Additions and Deletions[28]	(94.8)	51.3	16.8	11.0	14.6
Total Expenditures	**$6,687.3**	**$7,190.9**	**$7,402.1**	**$7,563.0**	**$7,775.5**
Expenditure Growth (Reduction) %	***1.8%***	***7.5%***	***2.9%***	***2.2%***	***2.8%***
Expenditure Growth (Reduction) $	***117.6***	***503.6***	***211.2***	***160.9***	***212.5***
TOTAL BUDGET GAP[29]	**$ -**	**$ (228.1)**	**$ (228.4)**	**$ (163.4)**	**$ (145.5)**

Revenues:

(1) General Fund (GF) Base: The revenue base for each year represents the prior year's estimated revenues, providing the starting point against which other changes are forecast.

(2) Revenue Growth: Revenue projections reflect the consensus of economists that the first quarter of 2020 will mark the start of a recession, however, there is no consensus on its severity or length. Citing the relative good health of the pre-pandemic economy, higher state and local government reserves, and current stimulus efforts, the Outlook assumes recovery in 2021. The current Safer at Home order was projected to end in May and the estimated receipts for 2020-21 and revenue growth for outgoing years reflect this assumption. The assumptions for economically sensitive revenues are also based on a single closure event for nonessential businesses and no future orders. The amounts represent projected incremental change to the base.
The total projected revenue reflects above average growth in 2020-21 attributed to one-time receipts of delayed 2019-20 payments and deferred tax collection efforts as well as a third quarter economic rebound. Any one-time receipts are deducted from the estimated revenue growth for the following fiscal year. Outgoing years include average growth.

(3) Property tax growth is projected at 6.6 percent for 2020-21, returning to its historic average of 4% annual growth for ensuing fiscal years. Documentary Transfer is a volatile revenue in particular when sales volume and price move together. The current year estimate assumes that pricing and sales volume hold steady, as the predicted recession is not being driven by the housing market. Should pandemic-related layoffs result in permanent job loss, there is downside risk to this revenue source as well. The Outlook includes steady growth in outgoing years as home prices are restrained by affordability. The Residential Development Tax is another volatile revenue which is being impacted by COVID-19 and the slowing of construction activity for new dwelling units. A significant rebound is assumed in 2021-22 with a return to gradual growth thereafter.

(4) Business tax revenue assumes the recovery of delayed 2019-20 receipts totaling $44.7 million in 2020-21. Based on declines for previous recessions a 7 percent decrease is assumed for non-cannabis renewal activity. Cannabis-related business activity assumes that current-year growth continues at 25 percent with no impact from the pandemic or recession. Total business tax growth for 2021-22 assumes recovery in

($ in millions)

non-cannabis business activity.

Sales tax growth is based on available economic forecasts and assumes a 5 percent decline for 2020-21 followed by 3.8 percent average growth in the outgoing years. Subsequent to the formulation of this estimate, the State extended the due date for the payment of quarterly sales tax owed by businesses. The reduction to City receipts will be first realized before the close of 2019-20 and the impact from extended payment periods would continue until 2021-22.

(5) Electricity Users tax reflects an economic driven decline in 2020-21 consistent with estimates provided by the Department of Water and Power, reflecting current assumptions on rates and electricity consumption and adjusted to reflect uncollectable receipts which are expected to increase as a result of the financial hardships brought on by COVID-19. After a recovery in 2021-22, the outgoing years of revenue are consistent with historical growth.

The 2020-21 reduction in Gas Users tax revenue and no growth outlook is based on the full implementation of a taxpayer settlement agreement that reduces the tax base.

The decline in Communications Users tax revenue continues due to aggressive wireless plan pricing and the decrease in landline use. Average declines of 7.9 percent are anticipated as part of the Outlook.

(6) The projected revenue growth in Departmental Receipts is dependent on policy decisions to increase departmental fees, collect full overhead cost reimbursements on Special Funds with sufficient capacity to do so, and increase reimbursements for those funds that have historically received a General Fund subsidy. The 2020-21 amount reflects ongoing revenue from LAPD's contract with Los Angeles County Metropolitan Transportation Authority for security services and as-needed and part-time related cost recovery. For 2020-21, reimbursements to the General Fund are based on Cost Allocation Plan 42, which is published by the Controller. The assumed modest growth for the outgoing years is within range of the historical average.

(7) A net decline of 7.1 percent in Transient Occupancy tax is assumed for 2020-21 based on industry estimates of a 60 percent pandemic-driven contraction followed by modest recovery in receipts. A net decline in Transient Occupancy tax from short-term rentals includes the same pandemic-driven assumptions as hotels, as well as the continuing 30 percent reduction to receipts with the full implementation of the City's home-sharing policy. This revenue is at the highest risk if the pandemic's impact to tourism continues even as social distancing measures end or if a subsequent Safer at Home order is warranted.

Parking Occupancy tax has been revised downward in 2019-20 to reflect the impact of the pandemic, and 2020-21 receipts are estimated to remain flat. Receipts are expected to recover in 2021-22 and outgoing years assume average growth. The Power Revenue Transfer estimate for 2020-21 is provided by the Department of Water and Power and reflects a decrease of 2.5 percent likely due to Power Revenue shortfalls caused by deferred payments related to COVID-19 financial hardships. Following a rebound in 2021-22, no growth in this revenue is assumed.

(8) Revenue from the Special Parking Revenue Fund (SPRF) represents the projected surplus that may be available to transfer to the General Fund after accounting for debt service and other expenditures associated with the maintenance, upgrades, and repairs of parking structures, meters, and related assets. The annual base-level surplus is $23.5 million. Any amounts above this are considered one-time receipts and deducted from the estimated revenue growth for the following fiscal year. The transfer in 2019-20 was originally budgeted at $33.8 million above the base-level transfer but revised down by $26 million as a result of lower parking meter and parking lot receipts stemming from the COVD-19 impact. The transfer in 2020-21 is $4.2 million more than the annual base-level transfer. The annual base-level transfer is assumed for the outgoing years.

(9) The Outlook does not include any transfers from the Budget Stabilization Fund (BSF).

(10) The Outlook does not include any transfers from the Reserve Fund.

Estimated General Fund Expenditures:

(11) General Fund Base: The General Fund base carries over all estimated General Fund expenditures from the prior year as the starting point for the following fiscal year, against which adjustments are made.

(12) Incremental changes to the Base: The 2020-21 amount reflects funding adjustments to the prior fiscal year General Fund budget. The expenditures included for subsequent years represent major expenses known at this time and are subject to change.

(13) Employee Compensation Adjustments: The 2020-21 amount includes employee compensation adjustments consistent with existing labor agreements, and all other required salary adjustments. Fiscal years 2021-22 through 2024-25 reflect all known salary adjustments including the restoration of one-time salary reductions from the prior year, most notably the 2020-21 furlough and hiring freeze-related reductions, which are reduced in 2020-21 under the "Net – Other Additions and Deletions" line. Future compensation adjustments from new labor agreements are not projected, although it does include a two percent annual increase to account for natural salary cost growth. Most current agreements expire at the end of Fiscal Year 2020-21 or Fiscal Year 2021-22.

(14) LACERS) and LAFPP: The contributions are based on information commissioned or requested by the CAO from the departments' actuaries and include the employee compensation adjustment assumptions noted above. The impacts of future assumption changes, including reduction of projected investment returns on the City contribution adopted by LAFPP and LACERS, are not included in this Outlook.

LACERS and LAFPP

Assumptions	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
LACERS						
Investment Returns	0%	7.25%	7.25%	7.25%	7.25%	7.25%
Combined Contribution Rate	29.52%	29.05%	29.48%	30.33%	31.14%	31.90%
LAFPP						
Investment Returns	0%	7.25%	7.25%	7.25%	7.25%	7.25%
Combined Contribution Rate	47.37%	46.79%	44.56%	45.36%	46.60%	47.13%

(15) Workers' Compensation Benefits: The projection is based on an April 2020 actuarial analysis that projects an impact for COVID-19 claims. Projections for 2021-22 and beyond are based solely on actuarial analysis, which assumes that cost increases associated with COVID-19 are limited to 2020-21.

(16) Health, Dental, and Other Benefits: The projection incorporates all known cost-sharing provisions adopted into labor agreements for the civilian and sworn populations. Net enrollment is projected to remain flat for the civilian and sworn populations. Rate increase assumptions are consistent with historical trends. Unemployment insurance costs are assumed to increase gradually.

Table 4
GENERAL FUND BUDGET OUTLOOK
As prepared and updated in connection with the Fiscal Year 2020-21 Budget
($ in millions)

(17) Debt Service: The debt service amounts include known future payments from lease revenue bonds and private placements, including the Bonds described in the forepart of this Official Statement. The large reduction in 2022-23 is because the final debt service payment on all Municipal Improvement Corporation of Los Angeles (MICLA) Los Angeles Convention Center Bonds occurs in that year.

(18) Resolution Authorities: The deletion line reflects the practice of annually deleting resolution authority positions, which are limited-term and temporary in nature. Continued or new resolution positions are included in the "Add New and Continued Resolution Authorities" line.

(19) One-time Costs: The deletion line reflects the practice of deleting programs and costs that are limited-term and temporary in nature each year. Continued and new one-time funding is included in the "Add One-Time Costs" line. The funding for one-year projects is deleted in 2021-22. The remaining balance is for multiyear projects that are not anticipated to become part of the General Fund base.

(20) Comprehensive Homeless Strategy: This amount represents the increase to the General Fund appropriation for homelessness-related services and expenditures within the context of the City's Comprehensive Homeless Strategy. Expenditures identified as one-time in 2020-21 are deleted in 2021-22.

(21) Unappropriated Balance (UB): One-time UB items are eliminated and only ongoing items are continued.

(22) Elections: The Outlook includes the costs for both the City's work on the elections and the estimated reimbursement to the County.

(23) Capital Improvement Expenditure Program (CIEP) – Municipal Facilities and Physical Plant: The 2020-21 Budget includes a reduction in funding from the General Fund of $3.2 million for physical plant related capital projects and $13.3 million for municipal facilities. In 2021-22, the restoration of one-time reductions taken in the 2020-21 Budget are include to reflect funding for capital and infrastructure improvements at one percent of General Fund revenue. This assumption has not been adjusted to reflect the new capital improvement policy and projections discussed further below in the section titled "Capital Program."

(24) CIEP – Sidewalk: Pursuant to the settlement in the case of Willits v. City of Los Angeles, the City is responsible for investing $31 million annually for sidewalk improvements for the next 30 years, with adjustments of 15.3 percent every five years to account for inflation and material price increases. The 2020-21 decrease of $0.9 million in General Fund appropriations reflects the availability of special funds to meet the required $31 million obligation. The 2021-22 increase of $2.4 million reflects the assumption that the General Fund portion will be increased to $19.3 million annually, with the balance of the investment covered by other sources of funds. The General Fund appropriation will increase by $5.7 million in 2022-23 to reflect both the required adjustment and to recognize that proprietary departments' expenditures are expected to decrease as sidewalk repairs are completed at their facilities.

(25) CIEP – Pavement Preservation Program: The Pavement Preservation Program reduction by $16.4 million in 2020-21 reflects one-time efficiencies and shifting costs to special funds. Future years both restore funding for one-time efficiencies and assume that cost increases to maintain service levels that exceed the capacity of special funds are fully borne by the General Fund.

(26) Appropriation to the Reserve Fund. The appropriation to the Reserve Fund in 2020-21 is $12.3 million, which is $4.7 million more than the 2019-20 appropriation. No appropriation is included in subsequent years.

(27) Appropriation to the Budget Stabilization Fund (BSF): Pursuant to the policy, when the combined annual growth for seven General Fund tax revenue sources exceeds the Average Annual Ongoing Growth Threshold, the budget must include a deposit into the BSF. When growth of these receipts falls short of the Average Annual Ongoing Growth Threshold, the Budget may include a withdrawal from the fund. Due to projected growth in economically sensitive revenues, the Outlook projects a transfer to the Budget Stabilization Fund of $6.2 million in 2021-22.

(28) Net – Other Additions and Deletions: In 2020-21, this line includes all changes to the base budget included in the Budget that are not included in the above lines. The significant reductions include one-time salary reductions based on a civilian hiring freeze and furlough program throughout 2020-21. Among the significant increases are appropriations of $8 million to Recreation and Parks and $13 million to the Library. The remaining balance reflects new and increased ongoing costs to a variety of departmental programs. Subsequent years include projected expenditures for the restoration of one-time expenditure reductions, structured payments, hotel development incentive agreements, the Body Worn Video Camera Program, LAPD vehicles, and the recycling incentives program

(29) Total Budget Gap: The Total Budget Gap reflects the projected surplus (deficit) in each fiscal year included in the Outlook. Because the Outlook doesn't project future ongoing budget-balancing decisions, any budget gap is carried forward to future years.

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 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 the 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 Reserve Fund is composed of two accounts—a Contingency Reserve Account and an Emergency Reserve Account. The City's Financial Policies include a Reserve Fund policy setting forth the goal that the City maintain a budget-based Reserve Fund of 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.) As shown in the table below, the Fiscal Year 2020-21 Budget falls short of this goal for the first time in seven years. Amounts in the Emergency Reserve Account, representing 2.75 percent of General Fund revenues, are restricted under the City Charter for funding an "urgent economic necessity" upon a finding by the Mayor and Council of such necessity. Whenever the City utilizes amounts in the Emergency Reserve Account, the City is 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"). Taken together, the Reserve Fund, the Budget Stabilization Fund, 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 expenditures when revenue is stagnant or is in decline. The economically sensitive revenues include seven General Fund tax revenue sources: property, utility users, business, sales, transient occupancy, documentary transfer, and parking occupancy taxes. For Fiscal Year 2020-21, the growth rate used to determine BSF contributions was recalculated to be 4.3 percent, based on the 20-year historical average of these tax revenues.

Pursuant to the BSF Financial Policy, the Fiscal Year 2020-21 Budget could have included a $38 million transfer from the BSF to the Fiscal Year 2020-21 Budget. In light of the significant uncertainty surrounding the City's finances, this amount was retained in the BSF rather than transferred to the Fiscal Year 2020-21 Budget. The BSF began the fiscal year with a balance of $116.2 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 and risks identified. The Unappropriated Balance will begin Fiscal Year 2020-21 with $223.7 million, of which $33.9 million is allocated as a Reserve for Mid-Year Adjustments. It is anticipated that a portion of these funds may be required to finance salary increases, including retroactive pay, from labor agreements that were originally anticipated to be paid in the prior fiscal year. An additional $16 million is allocated towards revenue losses at the City's Zoo and El Pueblo Historical Monument stemming from their closure due to the Stay at Home order.

A revision to the Financial Policies of the City adopted January 2020 added a stated goal that the City maintain the cumulative value of the Reserve Fund, the Budget Stabilization Fund, and the Unappropriated Balance line item for mid-year adjustments at 10 percent or higher of all General Fund receipts anticipated for that fiscal year in the adopted budget. The estimated July 1, 2020 funding for these reserves is projected to total 5.87 percent, which is below this policy target.

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 the use of appropriations to and from the Reserve Fund to support the Adopted Budget. The table also sets forth a broader view of the City's other contingency resources, in addition to the City's Reserve Fund, the Budget Stabilization Fund and the UB line item for mid-year adjustments. These balances are reported as of the beginning of the fiscal year rather than the end of the prior year to avoid overstating them as a result of year-end reversions, many of which are reappropriated as of July 1, and to account for any transfers made as part of an Adopted Budget.

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

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21[1]
Adopted Budget										
Emergency Reserve	$120.6	$125.1	$133.8	$141.3	$148.8	$153.4	$160.2	$170.2	$180.7	$183.9
Contingency	56.7	92.9	127.3	142.8	164.6	181.5	138.1	180.7	229.7	58.8
	$177.3	$218.0	$261.1	$284.1	$313.4	$334.9	$298.3	$350.9	$410.4	$242.7
Total Budgeted General Fund Revenues	$4,385.7	$4,550.5	$4,866.9	$5,138.3	$5,410.4	$5,576.4	$5,826.5	$6,190.6	$6,569.7	$6,687.3
Reserve Fund Balance as % of Budgeted General Fund Revenues	4.04%	4.79%	5.37%	5.53%	5.79%	6.01%	5.12%	5.67%	6.25%	3.63%
Budget Stabilization Fund	$0.5	$0.5	$61.5	$64.4	$91.5	$92.4	$95.1	$107.3	$113.9	$116.2
Reserves for Mid-Year in UB	0.0	8.0	21.0	20.7	17.0	15.0	20.0	20.3	35.0	33.9
Total General Fund Budget Reserves	$177.7	$226.5	$343.6	$369.2	$421.9	$442.3	413.3	$478.6	$559.4	$392.8
% of Budgeted General Fund Revenues	4.05%	4.98%	7.06%	7.19%	7.80%	7.93%	7.09%	7.73%	8.51%	5.87%
Actual										
Emergency Reserve	$120.6	$125.1	$133.8	$141.3	$148.8	$153.3	$160.2	$170.2	$180.7	
Contingency	80.1	108.0	192.9	241.7	293.8	180.9	194.3	175.6	226.5	
	$200.7	$233.1	$326.7	$383.0	$442.6	$334.2	$354.5	$345.8	$407.2	
Reserve Fund Balance as % of Budgeted General Fund Revenues	4.58%	5.12%	6.71%	7.45%	8.18%	5.99%	6.08%	5.59%	6.20%	

[1] Fiscal Year 2020-21 projected July 1 balances as estimated by the CAO as of July 1, 2020.

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

Financial Management Policies

The City has adopted a number of financial policies (the "Financial Policies").

Several of these policies relate to the City's Reserve Fund and Budget Stabilization Fund. See **"Budgetary Reserves and Contingencies"** above for a description of these Financial Policies.

Another component of the Financial Policies requires that one-time revenues only be used for one-time expenditures. The Fiscal Year 2020-21 Budget meets this policy by allocating all one-time revenues totaling $60 million towards one-time expenditures; these include $56 million of receipts from Fiscal Year 2019-20 that were delayed during the pandemic due to the closure of city offices and deferred tax collection efforts, the majority which ($44.7 million) are from business taxes. One-time expenditures total $70 million.

The Financial Policies have long called for the City to annually budget 1 percent of General Fund revenues to fund capital or infrastructure improvements. The Fiscal Year 2020-21 Budget falls short of this percentage goal, appropriating $36 million, or 0.53 percent of General Fund revenues. This policy was recently amended, increasing the target to 1.5 percent. See "**Capital Program**," below.

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

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

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. The Fiscal Year 2020-21 Budget provides funding of $87.9 million for these liabilities, of which $80 million is dedicated to liabilities that must be paid from the General Fund. While in prior years, the Adopted Budget also included additional funding appropriated in the UB as a Reserve for Extraordinary Liabilities ($20 million in each of the prior-year budgets), no such appropriation was made in the Fiscal Year 2020-21 Budget due to budgetary constraints. From time to time, the City may issue judgment obligation bonds to finance larger judgments or settlements, as it did in Fiscal Year 2008-09 and Fiscal Year 2009-10. See **"BONDED AND OTHER OBLIGATIONS—Judgment Obligation Bonds."**

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

Table 6
LIABILITY CLAIMS PAID (1)
($ in millions)

	Total Amount Budgeted				Total Claims Paid
Fiscal Year	General Fund	Special Funds	Unappropriated Balance	Total	All Council-Controlled Funds
2015-16	$53.5	$0.4	$50.0	$103.9	$109.2
2016-17	59.6	8.9	-	68.5	201.4
2017-18	80.0	9.1	20.0	109.1	107.1
2018-19	80.0	9.1	20.0	109.1	103.3
2019-20	80.0	10.5	20.0	110.5	130.3[2]
2020-21 Budget	80.0	7.9	-	87.9	NA

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

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

The City's CAFR provides estimates of potential liabilities. Under the pronouncement of the GASB, 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 CAFR discloses and takes into account estimates of such potential liabilities. As reported in the City's CAFR (Note 4 (O): Risk Management—Estimated Claims and Judgments Payable), the City, as of June 30, 2019, estimated the amount of tort and non-tort liabilities to be "probable" of occurring at approximately $572.6 million. Of this amount, approximately $182.1 million was estimated to be payable in Fiscal Year 2020-21. In addition, and as also reported in the City's CAFR, the City Attorney, as of June 30, 2019, estimated that certain other pending lawsuits and claims have a "reasonable possibility" of resulting in additional liability totaling $36.0 million. See **"LITIGATION"** for a discussion of certain recently completed, pending or threatened litigation matters involving the City.

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

In addition, the City does not maintain insurance for cyber 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. The Fiscal Year 2020-21 Budget includes $16.1 million for potential increased Workers' Compensation costs related to COVID-19 claims. Although the Fiscal Year 2020-21 Budget included anticipated costs based on available public information at the time, there is tremendous uncertainty around these projections and the high-end scenario could increase Workers' Compensation costs significantly. Total benefits expenditures are shown in the following table.

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

	2016-17	2017-18	2018-19	Estimated 2019-20	Budget 2020-21
Workers' Compensation/Rehabilitation	$175,831	$186,263	$195,985	$203,300	$230,100
Contractual Services	20,152	23,707	24,086	26,779	27,673
Civilian FLEX Program(2)	255,129	274,024	282,513	298,859	312,547
Supplemental Civilian Union Benefits	4,889	5,012	5,070	5,940	5,937
Police Health and Welfare Program	139,498	144,926	156,625	157,452	159,301
Fire Health and Welfare Program	49,348	52,748	56,927	58,938	60,898
Unemployment Insurance	2,538	2,720	2,452	2,365	2,300
Employee Assistance Program	1,535	1,386	2,078	1,845	1,839
Total	$648,920	$690,786	$725,736	$755,478	$800,594

(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 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 the Mayor, the President of the Council, the President Pro-Tempore of the Council and the chairpersons of the Council's Budget and Finance, and Personnel and Animal Welfare Committees. Formal Memoranda of Understanding ("MOUs") are executed between the City and the employee organizations incorporating the negotiated wages and working conditions for each bargaining unit. For expired contracts, the terms continue to be observed during negotiations of a new contract, unless a provision has a specific termination date.

There are 43 individual MOUs, affecting about 36,400 full-time City employees (these bargaining units include employees of the Airport and Harbor departments, but exclude DWP employees) that are represented by 22 labor unions/employee associations. The remaining approximately 800 employees are not represented. The vast majority of employees that are members of the Los Angeles City Employees' Retirement System ("LACERS") are considered to be "civilian" employees. Employees that are members of the City of Los Angeles Fire and Police Pension Plan ("LAFPP") are considered to be "sworn" or "safety" employees. See **"BUDGET AND FINANCIAL OPERATIONS—Retirement and Pension Systems—Los Angeles City Employees' Retirement System ("LACERS")."**

The following table summarizes the membership and status of the largest unions and employee associations.

Table 8
STATUS OF LABOR CONTRACTS
LARGEST EMPLOYEE ORGANIZATIONS
As of July 1, 2020

Organization	Employees Represented[1]	Number of Bargaining Units	Status of Memorandum of Understanding	Cost of Living Adjustment[2]
Los Angeles Police Protective League	9,964	1	Contract expires 6/30/22	1.5% effective 7/5/20 3.25% effective 1/17/21 3% effective 1/16/22
United Firefighters of Los Angeles City	3,282	1	Contract expires 6/30/22	2% effective 7/7/19 4.75% effective 7/5/20 3% effective 7/4/21
Coalition of LA City Unions[3]	24,579	21	Contracts expires 6/30/21	2.9% effective 10/28/18 2.75% effective 1/19/20 2% effective 1/31/21 2% effective 6/20/21
Engineers and Architects Association	5,479	4	Contracts expires 6/30/22	2.75% effective 1/19/20 2% effective 1/31/21 2% effective 1/30/22 1.5% effective 1/19/22
Municipal Construction Inspectors Association	880	1	Contract expires 6/30/22	2% effective 1/19/20 2.75% effective 7/5/20 2% effective 7/4/21 2% effective 6/19/22

(1) Total full-time and part-time employees in all departments except DWP.
(2) Adjustments for the term covered by the specific MOU. Also includes certain "step increases" for variation in pay based on longevity.
(3) Includes Service Employees International Union, Local 721, American Federation of State, County and Municipal Employees, Laborers' International Union of North America Local 777, Los Angeles/Orange County Building & Construction Trades Council, IUOE Local 501, and the Teamsters, Local 911.

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 Los Angeles Police Department ("LAPD") represents the single largest department in terms of authorized positions.

Table 9
AUTHORIZED CITY STAFFING(1)

	2016-17	2017-18	2018-19	2019-20	Budget 2020-21
Sworn					
Police	10,545	10,547	10,549	10,552	10,554
Fire	3,350	3,350	3,363	3,382	3,416
Subtotal Sworn	13,895	13,897	13,912	13,934	13,970
Civilian					
Police	3,330	3,335	3,388	3,454	3,451
Fire	379	383	397	406	415
All Others	15,501	15,760	16,063	16,378	16,795
Subtotal Civilian	19,210	19,478	19,848	20,238	20,661
Total	33,105	33,375	33,760	34,172	34,631

(1) As authorized in the Adopted Budget. Includes permanent ("regular") positions and excludes temporary personnel (also referred to as "resolution authority positions"), which total 2,542 for Fiscal Year 2020-21. Also excludes personnel of the departments of Airports, Harbor, DWP, LACERS and LAFPP.

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

Retirement and Pension Systems

General

The City has three single-employer defined-benefit pension plans created by the City 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 members and retired employees and their beneficiaries.

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

Each plan also generally performs an experience study every three years, comparing the plan's actual experience to the non-economic or demographic assumptions previously adopted by its board. Based on the plan's experience, the board may adopt the actuary's recommendations to adjust various assumptions such as retirement rates, 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 result in an actuarial value of assets that are 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 the last ten 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 note 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.

It should be noted that, in the ASOP 51 Risk Report for each of the two Pension Systems, the actuary noted that each had strengthened their respective actuarial assumptions over time, particularly lowering the expected investment rate of return, utilizing a generational mortality assumption, and adopting a funding policy that controls future negative amortization. These changes may result in higher contributions in the short term, but in the medium to longer term avoid both deferring contributions and allowing unmanaged growth in the UAAL.

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

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

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

This section, **"Retirement and Pension Systems,"** is primarily derived from information produced by LACERS and LAFPP and their independent actuaries. The City has not independently verified the information provided by LACERS and LAFPP. The comprehensive annual financial reports of the individual Pension Systems, actuarial valuations for retirement and health benefits, and other information concerning LACERS and LAFPP are available on their websites, at www.lacers.org/aboutlacers/reports/index.html and www.lafpp.com/financial-reports, respectively. Information set forth on such websites is not incorporated by reference herein. For additional information regarding the Pension Systems, see also Note 5 in the "Notes to the City's Basic Financial Statements" in the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

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. As of June 30, 2019, the date of its most recent actuarial valuation, LACERS had 26,632 active members, 20,034 retired members and beneficiaries, and 8,588 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, and further reducing its assumed return to 7.25 percent in 2017. A further reduction in its assumed return to 7.0 percent was approved by LACERS' Board on June 23, 2020, as recommended by LACERS actuary, Segal. This change represents one of many assumption changes recommended in an experience study dated as of June 17, 2020. While the most significant cost impact is from the change in the investment return assumption, that increase in cost is largely offset by the decrease in cost from the change in the inflation assumption from 3.00 percent to 2.75 percent. The net effect would be an increase of around 1.0 percent in the percentage of payroll. Changes in salary increase assumptions would increase the contribution rate by 2.1 percent, and new mortality assumptions would increase by 0.5 percent. The total estimated increase of 4.09 percent of payroll (based on the assumptions for the actuarial valuation as of June 30, 2019) will be used beginning with the June 30, 2020 valuation, which will determine the City's contribution rate for Fiscal Year 2021-22.

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 City 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, 2019, approximately 84 percent of the Citywide payroll is comprised of Tier 1 members and 16 percent is comprised of Tier 3 members.

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

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

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

[1] Does not reflect Tier 1 Enhanced Benefits for approximately 500 Airport Peace Officers.

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

The aggregate employer normal cost rates for the Retirement and Health Plans have stayed relatively flat since the June 30, 2010 valuation. For the Retirement Plan, the UAAL rate generally increased between the June 30, 2010 and the June 30, 2019 valuations primarily due to 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 on decreasing the UAAL contribution rates.

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

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

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	UAAL[(2)]	Funded Ratio[(3)]	Covered Payroll[(4)]	UAAL as a Percentage Of Covered Payroll[(5)]
2010	$ 9,554,027	$12,595,025	$3,040,998	75.9%	$1,817,662	167.3%
2011	9,691,011	13,391,704	3,700,693	72.4	1,833,392	201.9
2012	9,934,959	14,393,959	4,458,999	69.0	1,819,270	245.1
2013	10,223,961	14,881,663	4,657,702	68.7	1,846,970	252.2
2014	10,944,751	16,248,853	5,304,103	67.4	1,898,064	279.5
2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5

(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) Annual pensionable payroll for members of LACERS.
(5) UAAL divided by covered payroll.

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

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

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

Actuarial Valuation As of June 30	Market Value Of Assets	Actuarial Accrued Liability (AAL)	Unfunded Liability[(2)]	Funded Ratio (Market Value)[(3)]	Covered Payroll[(4)]	Unfunded Liability As a Percentage of Covered Payroll (Market Value)[(5)]
2010	$ 7,804,223	$12,595,025	$4,790,802	62.0%	$1,817,662	263.6%
2011	9,186,697	13,391,704	4,205,007	68.6	1,833,392	229.4
2012	9,058,839	14,393,959	5,335,120	62.9	1,819,270	293.3
2013	10,154,486	14,881,663	4,727,177	68.2	1,846,970	255.9
2014	11,791,079	16,248,853	4,457,774	72.6	1,898,064	234.9
2015	11,920,570	16,909,996	4,989,426	70.5	1,907,665	261.5
2016	11,809,329	17,424,996	5,615,667	67.8	1,968,703	285.2
2017	13,180,516	18,458,188	5,277,672	71.4	2,062,316	255.9
2018	14,235,231	19,944,579	5,709,348	71.4	2,177,687	262.2
2019	14,815,593	20,793,421	5,977,828	71.3	2,225,413	268.6

(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) 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's liability for healthcare benefits:

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

Actuarial Valuation As of June 30	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL)	UAAL[(1)]	Funded Ratio[(2)]	Covered Payroll[(3)]	UAAL As a Percentage of Covered Payroll[(4)]
2010	$1,425,726	$2,233,874	$808,148	63.8%	$1,817,662	44.5%
2011	1,546,884	1,968,708	421,824	78.6	1,833,392	23.0
2012	1,642,374	2,292,400	650,027	71.6	1,819,270	35.7
2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0
2015	2,108,925	2,646,989	538,065	79.7	1,907,665	28.2
2016	2,248,753	2,793,689	544,935	80.5	1,968,703	27.7
2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4

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

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

The table below summarizes the City's payments to LACERS over the past four years and payments included in the Fiscal Year 2020-21 Budget. This table includes costs for contributions for both pensions and retiree health care.

Table 14
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SOURCES AND USES OF CONTRIBUTIONS
($ in thousands)[(1)]

	2016-17	2017-18	2018-19	Estimated 2019-20	Estimated 2020-21
Sources of Contributions					
Contributions for Council-controlled Departments[(2)]	$459,400	$450,806	$488,400	$559,317	$532,833
Airport, Harbor Departments, LACERS, LAFPP	106,766	103,126	111,761	117,462	$114,828
Total	$566,166	$553,932	$600,161	$676,779	$647,661
Percent of payroll – Tier 1	28.16%	27.22%	28.31%	29.89%	29.43%
Percent of payroll – Tier 3	24.96%	24.64%	25.88%	27.70%	27.45%
Uses of Contributions					
Current Service Liability (Normal cost)	$206,982	$214,741	$224,161	$243,374	$229,795
UAAL	366,172	360,109	398,500	477,109	462,604
Adjustments[(3)]	(6,988)	(20,918)	(22,500)	(34,704)	(44,738)
Total	$566,166	$553,932	$600,161	$676,779	$647,661

(1) Includes funding for OPEB.
(2) Includes employees funded by certain special funds in addition to the General Fund.
(3) Adjustments include various "true-ups" for such adjustments as the retroactive upgrade of past Tier 2 members to Tier 1, the family death benefit plan, the limited term retirement plan, excess benefits, and the enhanced benefit for the Airport Peace Officers who remain in LACERS.

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

The table below illustrates the City's projected contributions to LACERS for the next four fiscal years from Council-Controlled Departments (excluding the proprietary departments) based on projected rates from the City's consulting actuary applied against projected payroll by the CAO. These projected contributions illustrate the projected cost of both pension and OPEB. Note that these projections assume a 0 percent return in 2019-20 as well as the prior actuarial interest rate of 7.25 percent, and do not include the revised assumptions in connection with the 2020 Experience Study.

Table 15
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PROJECTED CONTRIBUTIONS
($ in thousands)

	Budget 2020-21	Projection 2021-22	Projection 2022-23	Projection 2023-24	Projection 2024-25
Contributions for Council-controlled Departments(1)(2)	$532,833	$621,147	654,193	$681,400	$712,883
Percentage of Payroll(3)	29.12%	29.48%	30.33%	31.14%	31.90%
Incremental Change	$(26,484)	$88,314	$33,046	$27,207	$31,483
% Change	(4.74)%	16.57%	5.32%	4.16%	4.62%

(1) Includes the General Fund and various special funds.
(2) Assumes 0.00% return on investment in 2019-20 and 7.25% thereafter.
(3) Reflects combined rates for all benefit tiers.

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

Los Angeles Fire and Police Pension Plan ("LAFPP")

The LAFPP, established in 1899 and incorporated into the Charter in 1923, represents contributory plans covering uniformed fire, police, and some Department of Harbor and some Department of Airports police. As of June 30, 2019, the date of its most recent actuarial valuation, the LAFPP had 13,535 active members, 13,097 retired members and beneficiaries, and 523 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 7 active members as of June 30, 2019, although both tiers have beneficiaries. Sixty-seven percent of active members are in Tier 5, and 25 percent are in Tier 6.

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

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

Within the LAFPP, there is a Deferred Retirement Option Plan ("DROP"). This voluntary plan allows members to retire, for pension purposes only, after they are eligible to retire and have completed at least 25 years of service. A member entering DROP continues to work and receive salary and benefits as an active employee but stops accruing additional salary and service credits for retirement purposes. While in DROP, the member's retirement benefit is deposited into an interest-bearing account that is distributed to the member when he or she leaves City service. Participation in DROP is generally limited to a maximum of five years. As of June 30, 2019, 1,665 active members participated in DROP, representing about 94 percent of those eligible to do so. The program is designed to be cost-neutral to the City.

Based on the advice of its actuary, the LAFPP Board reduced its assumed rate of investment return from 7.50 percent to 7.25 percent in 2017, lowering it again to 7.00 percent in May 2020 (lowering its inflation assumption from 3.00 percent to 2.75 percent as well). In addition to the economic assumptions, the Board adopted the actuary's recommendations to adjust various other assumptions such as retirement rates, termination rates, and disability incidence rates. There were no changes in the mortality assumptions since the Board adopted new public safety mortality assumptions in December 2019. Adoption of the economic and non-economic assumption changes is estimated to increase City contributions by 2.3 percent of payroll. The new assumptions will be used beginning with the June 30, 2020 actuarial valuation, which will determine the City's contribution rate for Fiscal Year 2021-22.

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

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

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	UAAL(2)	Funded Ratio(3)	Covered Payroll(4)	UAAL As a percentage of Covered Payroll(5)
2010	$14,219,581	$15,520,625	$1,301,044	91.6%	$1,356,986	95.9%
2011	14,337,669	16,616,476	2,278,807	86.3	1,343,963	169.6
2012	14,251,913	17,030,833	2,778,920	83.7	1,341,914	207.1
2013	14,657,713	17,632,425	2,974,712	83.1	1,367,237	217.6
2014	15,678,480	18,114,229	2,435,749	86.6	1,402,715	173.6
2015	16,770,060	18,337,507	1,567,447	91.5	1,405,171	111.5
2016	17,645,338	18,798,510	1,153,172	93.9	1,400,808	82.3
2017	18,679,221	20,411,024	1,731,803	91.5	1,475,539	117.4
2018	19,840,070	21,364,804	1,524,734	92.9	1,546,043	98.6
2019	21,037,711	22,474,125	1,436,414	93.6	1,583,808	90.7

(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) 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, 2019.

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

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

Actuarial Valuation As of June 30	Market Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Liability(2)	Funded Ratio (Market Value)(3)	Covered Payroll(4)	Unfunded Liability As a Percentage of Covered Payroll (Market Value)(5)
2010	$11,535,936	$15,520,625	$3,984,688	74.3%	$1,356,986	293.6%
2011	13,564,904	16,616,476	3,051,572	81.6	1,343,963	227.1
2012	13,268,687	17,030,833	3,762,146	77.9	1,341,914	280.4
2013	14,729,976	17,632,425	2,902,449	83.5	1,367,237	212.3
2014	16,989,705	18,114,229	1,124,525	93.8	1,402,715	80.2
2015	17,346,554	18,337,507	990,953	94.6	1,405,171	70.5
2016	17,104,276	18,798,510	1,694,234	91.0	1,400,808	120.9
2017	18,996,721	20,411,024	1,414,303	93.1	1,475,593	95.8
2018	20,482,133	21,364,804	882,671	95.9	1,546,043	57.1
2019	21,262,200	22,474,125	1,211,925	94.6	1,583,808	76.5

(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) Annual payroll against which liability is amortized.
(5) UAAL divided by covered payroll.

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

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

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

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL(1)	Funded Ratio(2)	Covered Payroll(3)	Unfunded AAL As a Percentage of Covered Payroll(4)
2010	$ 817,276	$2,537,825	$1,720,549	32.2%	$1,356,986	126.8%
2011	882,890	2,557,607	1,674,717	34.5	1,343,963	124.6
2012	927,362	2,499,289	1,571,927	37.1	1,341,914	117.1
2013	1,013,400	2,633,793	1,620,393	38.5	1,367,237	118.5
2014	1,200,874	2,783,283	1,582,409	43.1	1,402,715	112.8
2015	1,344,333	2,962,703	1,618,370	45.4	1,405,171	115.2
2016	1,480,810	3,079,670	1,598,860	48.1	1,400,808	114.1
2017	1,637,846	3,322,746	1,684,900	49.3	1,475,539	114.2
2018	1,819,359	3,547,777	1,728,417	51.3	1,546,043	111.8
2019	2,016,202	3,590,023	1,573,821	56.2	1,583,808	99.4

(1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
(2) Actuarial value of assets divided by actuarial accrued liability.
(3) Annual 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 2020-21 Budget. This table includes costs for both pensions and retiree health care, as well as the plan's administrative expenses.

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

	2016-17	2017-18	2018-19	Estimated 2019-20	Estimated 2020-21
General Fund[1]	$616,235	$634,905	$687,867	$705,076	$738,908
Percent of Payroll	44.54%	44.26%	46.85%	47.37%	46.79%
Current Service Liability	$319,458	$332,409	$344,786	$349,256	$382,639
UAAL/(Surplus)	283,355	288,567	325,312	337,815	337,154
Administrative Costs	13,422	13,929	17,769	18,005	19,115
Total	$616,235	$634,905	$687,867	$705,076	$738,908

(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 towards 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 toward 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 a 2 percent contribution toward retiree healthcare. Employees who contribute to retiree healthcare benefits are vested in future subsidy increases authorized by the retirement board. For those sworn employees that opted not to make an additional contribution toward retiree healthcare, their retiree health subsidy has been frozen and cannot surpass the maximum subsidy level in effect as of July 1, 2011.

Two lawsuits are still pending challenging the LAFPP Board's exercise of its discretion to annually increase the subsidy for sworn employees who opted to make an additional contribution toward retiree healthcare. 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. These projected contributions illustrate the projected cost of contributions for both pension and OPEB. Note these projections assume a 0 percent return in 2019-20 as well as the prior actuarial interest rate of 7.25 percent, and do not include the revised assumptions in connection with the 2020 Experience Study.

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

	Budget 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
General Fund	$738,908	$765,431	$814,875	$851,244	$882,514
Percentage of Payroll	46.79%	44.56%[2]	45.36%	46.60%	47.13%
Incremental Change	$33,832	$26,523	$49,444	$36,369	$31,270
% Change	4.80%	3.59%	6.46%	4.46%	3.67 %

(1) Assumes 0.0% return on investment in 2019-20 and 7.25% thereafter.

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

City Treasury Investment Practices and Policies

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

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

Table 21
POOLED INVESTMENTS
Portfolio Characteristics
as of June 30, 2020

Portfolio Funds	Amount of Funds at Market Value	Percent of Investment Pool	Average Weighted Maturity
Core Portfolio	$ 3,352,327,994	28.45%	32 days
Reserve Portfolio	7,204,471,602	61.1%	2.9 years
Extended Reserve Portfolio	1,239,476,740	10.5%	6.8 years
Total Investment Pool	$11,796,276,336	100.0%	2.5 years

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

Table 22
POOLED INVESTMENT FUND
GENERAL POOL
As of June 30, 2020

Description	Par Value	Market Value	Percent of Total Funds (Market Value)	Average Days
Bank Deposits[1]	$ 10,000,000	$ 10,000,000	0.08%	0
Money Market Funds	755,738,189	755,737,942	6.41	0
LAIF (State of California)	0	0	0.00	0
Subtotal Cash and Overnight Investments	$ 765,738,189	$ 765,737,942	6.49%	0
Commercial Paper	$ 1,267,107,000	$ 1,266,966,552	10.74	26
Negotiable Certificates of Deposit	0	0	0.00	0
Corporate Notes	70,000,000	70,331,800	0.60	108
U.S. Agencies/Munis/Supras	1,016,655,000	1,016,482,603	8.62	45
U.S. Treasuries	232,025,000	232,809,096	1.97	99
Subtotal: Pooled Investments	$2,585,787,000	$2,586,590,052	21.93%	42
Total Short-Term Core Portfolio	$3,351,525,189	$3,352,327,994	28.42%	32
Money Market Funds	$ 0	$ 0	0.00%	0
Commercial Paper	0	0	0.00	0
Negotiable Certificates of Deposit	0	0	0.00	0
Corporate Notes	906,000,000	945,588,660	8.02	960
Asset-Backed Securities	157,997,388	160,484,588	1.36	1,005
U.S. Agencies/Manis/Supras	618,950,000	639,015,904	5.42	1,325
U.S. Treasuries	6,369,000,000	6,698,859,190	56.79	1,302
Total Long-Term Reserve Portfolios	$8,051,947,388	$8,443,948,342	71.58%	1,260
Total Cash and Pooled Investments	$11,403,472,577	$11,796,276,336	100.00%	911

(1) Collected balance for Wells Fargo Active Accounts.

Source: City of Los Angeles, City Treasurer.

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

The Treasurer does not invest in range notes, securities that could result in zero interest accrual if held to maturity, variable rate, floating rate or 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. Cash and/or securities (United States Treasuries and Federal Agencies) 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 updates 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.

As directed by the Capital Policy, the City will begin publishing a multi-year Capital and Technology Improvement Plan (the "CTIP"), which will reflect the highest priorities for projects funded from Council-controlled sources.

The table below provides the City's preliminary multi-year funding summary for various asset classes. The summary reflects the projected capital needs for projects authorized and will be updated as the CTIP is developed.

Table 23
CAPITAL AND TECHNOLOGY IMPROVEMENT PLAN[(1)]
($ in thousands)

Funding Sources	Year 1 (2019-20)	Year 2 (2020-21)	Years 3-4[(2)]	Total Costs (Years 1-4)
MUNICIPAL FACILITIES[(3)]				
General Fund	$ 27,200	$ 7,800	$ 36,900	$ 71,900
Lease Revenue Bonds	73,600	88,300	97,300	259,200
General Obligation Bonds	-	-	-	-
Special Funds[(4)]	24,100	14,800	12,200	51,100
Total	**$ 124,900**	**$ 110,900**	**$ 146,400**	**$ 382,200**
PHYSICAL PLANT[(5)]				
General Fund	$ 50,600	$ 27,900	$ 59,500	$ 138,000
Lease Revenue Bonds	15,000	15,000	30,000	60,000
General Obligation Bonds	-	7,700	-	7,700
Special Funds[(4)]	301,500	508,100	643,300	1,452,900
Total	**$367,100**	**$558,700**	**$732,800**	**$1,658,600**
INFORMATION TECHNOLOGY[(6)]				
General Fund	$ 27,900	$ 22,600	$ 46,000	$ 96,500
Lease Revenue Bonds	-	-	3,500	3,500
General Obligation Bonds	-	-	-	-
Special Funds[(4)]	22,500	21,700	41,900	86,100
Total	**$ 50,400**	**$ 44,300**	**$ 91,400**	**$ 186,100**
GRAND TOTAL	**$542,400**	**$713,900**	**$970,600**	**$2,226,900**

(1) Preliminary. Subject to change.

(2) Reflects the anticipated timing for expenditure of funds based on estimated future costs as of July 2018, which may exceed the funding levels authorized through the adopted budget.

(3) The Municipal Facilities elements include administrative buildings, recreational and cultural facilities, libraries, animal shelters, public safety facilities, and yards and shops.

(4) Special Funds include the Park & Recreational Sites & Facilities Fund, the Arts and Cultural Facilities and Services Trust Fund, the Measure W Local Return Fund, the Measure M Local Return Fund, the Road Maintenance and Rehabilitation Program Special (SB1) Fund, the Public Works Trust Fund, the Stormwater Pollution Abatement Fund, the Street Damage Restoration Fund, the Special Gas Tax Street Improvement Fund, and various grant funds.

(5) The Physical Plant elements include stormwater, street, street lighting, slope stability, bicycle, and pedestrian projects. Does not include Wastewater and Solid Waste capital projects, which have their own individual capital programs, and are funded by a combination of revenues and revenue bonds.

(6) The Information and Technology elements include citywide infrastructure and major projects and system replacements. Information Technology projects would not include infrastructure or systems with an estimated cost of less than $1 million unless the project is determined to have a significant Citywide impact.

Source: Office of the City Administrative Officer

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 Year 2018-19, revenues for Fiscal Year 2019-20 as originally estimated in the Fiscal Year 2019-20 Adopted Budget, estimated revenues for Fiscal Year 2019-20 developed late in the fiscal year, and budgeted revenues for Fiscal Year 2020-21. Budgeted revenues for Fiscal Year 2020-21 reflect the Mayor's Fiscal Year 2020-21 Proposed Budget and have not been adjusted to reflect subsequent experience.

Table 24
GENERAL FUND RECEIPTS[1]
($ in thousands)

	2018-19 Actual	2019-20 Adopted Budget	2019-20 Estimated	2020-21[2] Budget
Property Tax	$2,010,508	$2,115,611	$ 2,132,308	$2,297,080
Property Tax Increment (Former CRA/LA)	73,971	100,386	84,054	95,900
Utility Users Tax	644,152	652,165	637,970	614,620
Departmental Receipts	1,129,767	1,226,882	1,209,252	1,335,289
Business Tax	603,123	657,150	645,230	686,540
Sales Tax	581,443	589,790	556,240	557,055
Documentary Transfer Tax	206,211	211,960	205,473	215,835
Power Revenue Transfer	232,557	235,600	229,913	224,100
Transient Occupancy Tax	318,888	326,620	250,115	244,860
Parking Fines	129,900	123,785	115,326	140,477
Parking Occupancy Tax	120,949	121,900	105,600	102,000
Franchise Income	84,314	80,240	83,376	81,226
State Motor Vehicle License Fees	1,946	1,946	3,198	3,198
Grants Receipts	11,613	15,729	17,115	12,521
Tobacco Settlement	10,616	10,952	10,178	10,615
Residential Development Tax	4,918	5,020	4,719	3,693
Special Parking Revenue Transfer	32,115	57,313	31,294	27,721
Interest Income	34,099	36,700	42,000	34,613
Subtotal General Fund Revenues	$6,231,090	$6,569,749	$6,363,360	$6,687,343
Reserve Fund Transfer	5,791	-	206,390	-
Total General Fund	$6,236,881	$6,569,749	$6,569,750	$6,687,342

(1) Cash basis.
(2) Based on the Mayor's Proposed Budget dated April 20, 2020; not updated to incorporate year-end estimates for Fiscal Year 2019-20.

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

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 CAFR includes reporting of revenues based on GAAP. See the City's CAFR Note 1-D for a discussion of the basis for reporting.

For a discussion of the General Fund revenue projections contained in the Fiscal Year 2020-21 Budget, including the uncertainty of those revenue projections in light of the COVID-19 pandemic, see **"BUDGET AND FINANCIAL OPERATIONS—Fiscal Year 2019-20 Budget"** and **"—Fiscal Year 2020-21 Budget."** Because of that uncertainty, in the detailed discussion of revenues that follows, the percentage of growth from Fiscal Year 2019-20 to Fiscal Year 2020-21 has not been calculated, but rather is indicated as "NA," as Fiscal Year 2020-21 revenue estimates will be subject to future adjustment.

Property Tax

Property taxes, including various State replacements and the reallocation of tax increment from the dissolution of redevelopment, represent 35.7 percent of General Fund revenues in the Fiscal Year 2020-21 Budget.

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. 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 XIIIA 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, and other taxable personal property such as boats and aircraft, as well as 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. Based on the County's estimate of countywide growth in assessed value and other data, the City assumed 6.6 percent growth in its property tax base in the Fiscal Year 2020-21 Budget.

Table 25
ASSESSED VALUATION[1]

	2016	2017	2018	2019	2020
Locally Assessed					
Land	$285,423,529,738	$306,136,812,787	$329,102,259,292	$352,506,933,714	$375,613,820,236
Improvements	246,398,132,578	260,935,746,380	280,224,446,180	299,590,583,910	319,689,264,560
Personal Property	5,700,901,890	4,163,011,484	3,299,927,802	4,020,257,586	3,997,131,756
Less: Exemptions[2]	24,673,030,854	24,236,863,599	23,950,069,180	26,571,608,102	26,822,209,552
Total Locally Assessed	$512,849,533,352	$546,998,707,052	$588,676,564,094	$629,546,167,108	$672,478,007,000
Public Utilities[3]	72,570,514	73,781,054	40,022,411	42,153,347	66,084,991
Unsecured Valuations	19,993,134,807	20,848,434,238	22,575,613,220	23,370,052,850	23,469,028,925
Gross Revenue-Producing Valuations	$532,915,238,673	$567,920,922,344	$611,292,199,725	$652,958,373,305	$696,013,120,916
Less: Homeowners' Exemptions[4]	2,454,777,939	2,411,313,641	2,364,506,686	2,329,536,808	2,264,753,291
Net Local Revenue-Producing Valuations	$530,460,460,734	$565,509,608,703	$608,927,693,039	$650,628,836,497	$693,748,367,625
Change from Prior Year	6.5%	6.6%	7.7%	6.8%	6.6%

(1) As of January 1 of each year. These values apply to taxes levied in the fiscal year beginning the subsequent July 1. The information above is provided by the County in August of the relevant fiscal year.
(2) Exclusive of the Homeowner Exemption.
(3) Assessed by the State Board of Equalization.
(4) Exemptions reimbursed to local governments by the State.

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

Prior to Fiscal Year 2010-11, a portion of the property taxes collected in the City were allocated to redevelopment project areas as tax increment. As part of the State's Fiscal Year 2011-12 Budget, legislation was approved to eliminate redevelopment agencies. 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 are difficult to predict, the City reports 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 APPRORIATIONS—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.

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

	Actual 2016-17	Actual 2017-18	Actual 2018-19	Estimated 2019-20	Budget 2020-21[(3)]
Secured	$1,245,818	$1,331,529	$1,458,252	$1,528,635	$1,653,696
Unsecured	50,178	53,251	56,894	59,230	61,130
Homeowner Exemption	8,071	7,980	7,875	7,941	7,940
Supplemental	30,862	34,555	39,270	39,039	44,419
Redemptions	19,238	20,704	19,622	21,375	21,928
County Admin Charges	(17,380)	(18,885)	(20,818)	(21,153)	(21,493)
Refunds	(23,116)	(17,972)	(23,084)	(19,547)	(19,755)
Adjustments	663	821	(941)	911	-
Miscellaneous Property	8,012	7,300	7,045	10,167	10,135
1% Property Tax	$1,322,885	$1,419,284	$1,544,112	$1,626,598	1,758,000
Percent Change[(2)]	4.6%	7.3%	8.8%	5.3%	NA
VLF Replacement	412,738	439,849	473,440	505,710	539,080
Sales Tax Replacement	63,637	-	-	-	-
Subtotal	476,375	439,849	473,440	505,710	539,080
Property Tax All Sources	$1,799,260	$1,859,133	$2,017,552	$2,132,308	$2,297,080
Percent Change	6.5%	3.3%	8.5%	5.7%	NA

(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.
(3) Based on the Mayor's Proposed Budget dated April 20, 2020; not updated to incorporate June 11, 2020 estimates for Fiscal Year 2019-20.

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 2019-20, appears in the table below. The tax roll for the next fiscal year is typically released in the summer.

Table 27
CITY OF LOS ANGELES
TWENTY LARGEST 2019-20 SECURED PROPERTY TAXPAYERS

Property Owner	Primary Land Use	2019-20 Secured Assessed Valuation	Percent of Secured AV[(1)]
Douglas Emmett LLC	Office Building	$2,902,632,430	0.46%
Essex Portfolio LP	Apartments	1,377,988,944	0.22
Century City Mall LLC	Shopping Center	1,058,775,188	0.17
FSP South Flower Street	Office Building	936,124,024	0.15
Rochelle H. Sterling	Apartments	823,015,925	0.13
SM 10000 Property LLC	Apartments	816,424,701	0.13
Valero Energy Corporation	Petroleum	801,736,275	0.13
Hanjin International Corp	Hotel	767,924,355	0.12
Anheuser Busch Inc.	Industrial	744,561,687	0.12
Greenland LA Metropolis	Apartments with Retail	742,133,768	0.12
One Hundred Towers LLC	Office Building	665,585,335	0.11
Trizec 333 LA LLC	Office Building	653,812,071	0.10
Phillips 66 Company	Petroleum	650,931,177	0.10
APM Terminals Pacific Ltd.	Terminal Operations	614,119,000	0.10
Tesoro Corporation	Petroleum	611,558,589	0.10
Maguire Partners 355 S. Grand LLC	Office Building	611,448,794	0.10
BRE HH Property Owner LLC	Office Building	606,553,229	0.10
Tishman Speyer Archstone Smith	Apartments	584,582,750	0.09
Olympic and Georgia Partners LLC	Hotel	570,275,107	0.09
LA Live Properties LLC	Commercial	547,823,086	0.09
Total		$17,088,006,435	2.71%

(1) Based on 2019-20 Local Secured Assessed Valuation of $629,546,167,108.

Source: California Municipal Statistics, Inc.

For additional information on the City's property tax base, see "**PART 2—HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION,"** Table 59: Assessed Valuation and Parcels by Land Use and Table 60: Per Parcel Assessed Valuation of Single-Family Residential Properties.

Utility Users Taxes

Utility users taxes represent 9.2 percent of General Fund revenues in the Fiscal Year 2020-21 Budget. 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); for example, the increase in gas users tax receipts in Fiscal Year 2018-19 reflects an unusually cold winter.

Fiscal Year 2020-21 projected revenues for the electricity users tax were based on estimates provided by DWP; while they are on the low end of a forecasted range, they do not reflect the impact of the pandemic and recession. Communication users tax receipts have declined as consumers abandon landline communication and switch to cheaper voice and texting mobile communication plans.

A portion of the City's gas users tax was challenged in *Lavinsky et al. v. City of Los Angeles* and in *Enquist et al. v. City of Los Angeles.* Specifically, the lawsuits challenged the imposition of the Gas Users tax on certain charges and fees. See **"LITIGATION—7. Gas Utility Users Tax Cases"**. The City reached a settlement agreement on the *Lavinsky* case. The Fiscal Year 2019-20 and future estimates have been adjusted to reflect the impact of the *Lavinsky* settlement.

The City's prior telephone users tax ordinance has been the subject of litigation challenging the application of the tax to certain telecommunications services, most of which have been resolved. See **"LITIGATION—2. Telephone Utility Users Tax Cases."** Receipts from this tax have been declining due to changes in telephone use and pricing.

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

Table 28
UTILITY USERS TAX RECEIPTS[1]
($ in thousands)

	2016-17	2017-18	2018-19	Estimated 2019-20	Budget 2020-21[2]
Electric Users Tax	$356,617	$386,525	$417,489	$433,900	$434,820
Gas Users Tax	73,733	68,028	77,035	73,970	66,400
Communications Users Tax	194,481	171,300	149,628	130,100	113,400
Total	$624,831	$625,853	$644,152	$637,970	$614,620
Change from Prior Year	1.6%	0.2%	2.9%	(1.0)%	NA

(1) Cash basis.
(2) Based on the Mayor's Proposed Budget dated April 20, 2020; not updated to incorporate year-end estimates for Fiscal Year 2019-20.

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." Departmental receipts represent 20 percent of General Fund revenues in the Fiscal Year 2020-21 Budget.

These revenues are exposed to a number of risks related to the pandemic and recession. Receipts would decrease if full service-levels are not restored at the conclusion of the current Safer at Home order, if a subsequent order is required, or if an estimated $3.8 million in delayed receipts from Fiscal Year 2019-20 are not realized. The amount of services required by and thus reimbursed from both the Department of Airports and the MTA are particularly uncertain.

The table below shows receipts from departmental receipts.

Table 29
DEPARTMENTAL RECEIPTS[1]
($ in thousands)

	2016-17	2017-18	2018-19	Estimated 2019-20	Budget 2020-21[2]
Ambulance Fees	$ 73,915	$ 84,671	$ 78,472	$ 92,767	$ 101,400
Services to Dept. of Airports	79,372	82,532	78,879	85,909	102,340
Services to Harbor Dept.	40,290	34,456	42,428	39,297	47,160
Services to DWP	34,617	29,325	29,847	32,427	30,631
Services to Sewer Program	69,285	95,526	107,585	110,639	94,030
Solid Waste Fee	68,368	58,309	61,661	75,451	82,749
Gas Tax Reimbursements	-	1,284	23,108	22,448	39,593
Services to Stormwater Fund	9,333	9,507	-	4,732	6,727
Special Funds Related Costs	191,619	202,155	229,122	271,826	356,399
MTA Reimbursement	187	53,555	65,705	105,336	114,130
One Time Reimbursements	23,870	8,776	23,040	17,499	3,364
Library Reimbursements	55,906	67,988	69,653	71,345	76,559
Recreation and Parks Reimbursements	36,384	43,951	49,177	49,287	52,813
State Mandated	3,270	2,907	3,320	7,172	3,000
Miscellaneous Taxes and Fees	8,012	7,300	8,540	-	-
Other Departmental Receipts	218,939	233,249	259,232	223,116	224,394
Total General Fund	$913,368	$1,015,490	$1,129,767	$1,209,251	$1,335,289
Change from Prior Year	2.90%	11.2%	11.3%	7.0%	NA

(1) Cash basis.
(2) Based on the Mayor's Proposed Budget dated April 20, 2020; not updated to incorporate year-end estimates for Fiscal Year 2019-20.

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

Business Tax

Business tax receipts represent 10.3 percent of General Fund revenues in the Fiscal Year 2020-21 Budget. 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 2020-21 Budget includes cannabis business tax revenue projected at $99.3 million, representing 14.5 percent of business tax revenue.

The Fiscal Year 2020-21 Budget assumes a 7 percent decline in non-cannabis business tax renewals, but also assumes that, due to the pandemic, the collection of $34.7 million in estimated receipts originally due in Fiscal Year 2019-20 , will be received in Fiscal Year 2020-21, resulting in a 5.9 percent increase in year-over-year receipts. The cannabis business tax growth of 24 percent is not expected to be impacted by the recession; however, due to the pandemic approximately

$10.0 million in estimated Fiscal Year 2019-20 receipts will be received in 2020-21, resulting in a 35.6 percent increase in year-over-year receipts.

The table below shows receipts from business tax.

Table 30
BUSINESS TAX RECEIPTS
($ in thousands)

Fiscal Year	Receipts[1]	Change from Prior Year
2016-17	$528,076	3.6%
2017-18	554,521	5.0
2018-19	603,123	8.8
2019-20 Estimated	645,230	7.0
2020-21 Budget[2]	686,540	NA

(1) Cash basis.
(2) Based on the Mayor's Proposed Budget dated April 20, 2020; not updated to incorporate year-end estimates for Fiscal Year 2019-20.

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

Sales Tax

Budgeted sales tax receipts represent 8.3 percent of General Fund revenues in the Fiscal Year 2020-21 Budget, a decline from prior years. 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 services for the homeless. A portion of those taxes is remitted to the City for deposit in special revenue funds.

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

Table 31
LOS ANGELES CITY
SALES TAX COMPONENTS
As of July 1, 2020

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

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

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

The following table shows the actual and budgeted General Fund receipts from sales tax. Fiscal Year 2016-17 revenue growth reflects the restoration of the full 1 percent share of receipts from the end of the triple flip. Delayed Fiscal Year 2017-18 remittances resulting from the State's implementation of a new sales tax automation system contributed to the low growth in Fiscal Year 2017-18 and high growth in Fiscal Year 2018-19.

Fiscal Year 2020-21 revenues are projected to decline by 5 percent as a result of the pandemic and recession. Subsequent to the development of this estimate, the State decided to allow businesses to extend the due date of collected sales taxes for the first quarter of 2020 to July 31, 2020. The City's sales tax consultant has quantified a total risk of $95 million to Fiscal Year 2019-20 receipts in possible deferred tax payments from 64,000 businesses, which has not been reflected in the Budget for either Fiscal Year 2019-20 or Fiscal Year 2020-21.

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

Fiscal Year	Receipts[1]	Change from Prior Year
2016-17	$520,404	24.6%
2017-18	529,757	1.8
2018-19	581,443	7.8
2019-20 Estimated	556,240	(4.5)
2020-21 Budget[2]	557,055	NA

(1) Cash basis.
(2) Based on the Mayor's Proposed Budget dated April 20, 2020; not updated to incorporate year-end estimates for Fiscal Year 2019-20.

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

Documentary Transfer Tax

Documentary transfer tax receipts represent 3.2 percent of General Fund revenues in the Fiscal Year 2020-21 Budget. 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, although not evident in the years represented in the table below, 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. 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.

The Fiscal Year 20120-21 Budget estimate assumed that pricing and sales volume would remain relatively unchanged, as this recession is not being driven by the housing market. Should pandemic-related layoffs result in permanent job loss, receipts from this revenue source could decline as well as property values and frequency of purchases could fall.

The table below presents receipts from this revenue source.

Table 33
DOCUMENTARY TRANSFER TAX RECEIPTS
($ in thousands)

Fiscal Year	Receipts[1]	Change from Prior Year
2016-17	$210,070	5.9%
2017-18	207,815	(1.1)
2018-19	206,211	(0.7)
2019-20 Estimated	205,473	(0.4)
2020-21 Budget[2]	215,835	NA

(1) Cash basis.
(2) Based on the Mayor's Proposed Budget dated April 20, 2020; not updated to incorporate year-end estimates for Fiscal Year 2019-20.

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

Power Revenue Transfers to General Fund

Transfers from the Power Revenue Fund represent 3.6 percent of budgeted General Fund revenues in the Fiscal Year 2020-21 Budget. 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 beginning with Fiscal Year 2009-10.

The amount to be transferred is also affected by the Power System's revenue bond covenants, which specify that a transfer may not be greater than the previous fiscal year's net income, nor may it result in a reduction of the Power System's surplus to less than 33-1/3 percent of the Power System's total outstanding debt. 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 the audited financial statements. The transfer occurs in the latter half of the following year.

The City has been the subject of litigation that challenged this long-standing practice of transferring a portion of surplus power revenues to the City's General Fund as a violation of Proposition 26, which imposed new restrictions on taxation. The principal case on this matter was *Eck*. This matter was settled under a court-approved settlement on February 26, 2018, with all appeals challenging the settlement having been exhausted. See the *Eck* case, as described in "**LITIGATION**." The settlement limits the annual amount of revenue transferred from the DWP to the City to 8 percent of the retail operating revenues of the 2008 Electric Rate Ordinance. Certain other litigation associated with the transfer of such surplus power revenues remain. See **"LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 26."**

The following table shows transfers from the Power Revenue Fund. Beginning with Fiscal Year 2018-19, amounts reflect the settlement under the *Eck* case. At the time of budget preparation, no estimate was available on the impact of the pandemic and recession on the DWP's revenue. The budget amount for the Fiscal Year 2020-21 transfer was based on assumptions derived from an estimate prepared for Fiscal Year 2018-19 Power System revenue.

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

Fiscal Year	Receipts[1]	Change from Prior Year
2016-17	264,427	(0.9)
2017-18	241,848	(8.5)
2018-19	232,557	(3.8)
2019-20 Estimated [2]	229,913	(1.1)
2020-21 Budget[3]	224,100	NA

(1) Cash basis.
(2) Amount approved by DWP Board.
(3) Based on the Mayor's Proposed Budget dated April 20, 2020.

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

Transient Occupancy Tax

Transient occupancy tax receipts represent 3.7 percent of General Fund revenues in the Fiscal Year 2020-21 Budget. The transient occupancy tax (TOT) is levied at the rate of 14 percent of the amount charged for hotel and motel rooms or other dwellings occupied for 30 days or less. The tax is collected by hotel operators, individuals, and short-term rental websites, which are subsequently remitted to the City monthly.

This revenue is very sensitive to changing conditions that affect travel, and has been significantly impacted by the pandemic. Transient occupancy tax revenue reflects two years of expected double-digit decline, which is greater than the decline from the Great Recession or the dotcom bubble and concurrent September 11 terrorist attacks.

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

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

Fiscal Year	Receipts[1]	Change from Prior Year
2016-17	$265,653	15.1%
2017-18	299,108	12.6
2018-19	318,888	6.6
2019-20 Estimated	250,115	(21.6)
2020-21 Budget[2]	244,860	NA

(1) Cash basis.
(2) Based on the Mayor's Proposed Budget dated April 20, 2020; not updated to incorporate year-end estimates for Fiscal Year 2019-20.

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

Parking Fines

Parking fine receipts represent 2.1 percent of General Fund revenues in the Fiscal Year 2020-21 Budget. The schedule of fines is established by the Council. For budgeting purposes, parking fine revenue forecasts are based on the number of parking enforcement officers employed by the City's Department of Transportation, and estimates of average revenues per ticket based on historical trends, collection rates and average worker productivity. While parking fine revenue has declined each of the prior six years, revenues were trending towards growth in Fiscal Year 2019-20 prior to the onset of the pandemic. As a result of reduced traffic, relaxed enforcement, and extended due dates granted during the pandemic, revenue projections have been lowered. The Fiscal Year 2020-21 Budget was prepared assuming that the previous growth would be sustained and includes additional receipts from citations paid under the extended due date.

The table below shows receipts from all parking fines.

Table 36
PARKING FINES RECEIPTS
($ in thousands)

Fiscal Year	Receipts[1]	Change from Prior Year
2016-17	$140,773	(4.8)%
2017-18	138,766	(1.4)
2018-19	129,900	(6.4)
2019-20 Estimated	115,326	(11.2)
2020-21 Budget[2]	140,477	NA

(1) Cash basis.
(2) Based on the Mayor's Proposed Budget dated April 20, 2020; not updated to incorporate year-end estimates for Fiscal Year 2019-20.

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 and subvened 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 by State law. During prior State fiscal crises, the State has reallocated a portion of such revenues to assist in its own budget balancing. Proposition 1A, adopted in 2004, amended the State Constitution to impose limits on the State's ability to reallocate local revenue. (See "**LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A.")**

The State's fiscal year begins on July 1 and ends on June 30. The State Constitution requires the Governor to submit a budget for each fiscal year to the Legislature by the preceding January 10 (the "Governor's Budget"). The Constitution requires the Legislature to pass a budget bill by June 15, although the Legislature has frequently failed to meet this deadline. Because more than half of the State's General Fund income is derived generally from the April 15 personal income tax, the Governor submits a "May Revision" to his proposed budget. The Legislature typically waits for the May Revision before making budget decisions. Once the budget bill has been approved by a majority vote of each house of the Legislature, it is sent to the Governor for signature. Increases in taxes require approval of a two-thirds majority of each house.

On May 14, 2020, Governor Newsom released the May Revision for the 2020-21 State budget proposal. The May Revision estimated a budget shortfall of $54.3 billion, mainly due to a $41 billion reduction in anticipated revenues and $8.6 billion increase in expenditures related to COVID-19.

After negotiations between the Governor and State legislative leaders, a budget was approved by the Legislature on June 26, 2020 and sent to the Governor for approval, who signed it on June 30. The budget transfers funds from State reserves, defers payments to schools and community colleges, makes hundreds of millions of dollars in cuts to higher education, court operations and housing grants, and incorporates employee furloughs of two days a month. The budget also assumes the receipt of additional federal aid in response to the COVID-19 pandemic, with various cuts to be triggered if such funding is not made available.

The State budget provides certain funding for emergency response and for homelessness, from which the City expects to benefit.

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

Information Regarding Federal Budget

The City does not anticipate an adverse impact in its Federal funding for Fiscal year 2020-21, given that the federal appropriations had been determined prior to the COVID-19 crisis. The City is receiving $106.9 million in direct allocations for housing and community development. The City also expects to receive up to $1.6 billion a year in funding for streets and highways, capital projects, public safety, environmental quality and human services. An additional $1.2 billion is received by two related agencies, the Los Angeles Homeless Services Authority, a joint powers authority between the City and the County of Los Angeles, and the Housing Authority of the City of Los Angeles.

The Coronavirus Aid, Relief and Economic Act (the “CARES Act”) provides funding to states and local governments for expenditures incurred due to COVID-19. The CARES Act provided $9.5 billion to California and $5.8 billion to cities and counties with populations over 500,000. Due to the City’s large population, the City received a direct CARES Act allocation of $694.4 million and the State will therefore not provide an additional allocation at this time.

LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution - Proposition 13

Article XIIIA of the California Constitution, known as Proposition 13, was approved by the voters in 1978. Article XIIIA 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 XIIIA 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 XIIIB of the California Constitution

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

Appropriations subject to Article XIIIB 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 XIIIB 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 37
APPROPRIATIONS LIMITS AND APPROPRIATIONS SUBJECT TO LIMITATION

Fiscal Year	City Appropriations Limit	Appropriations Subject to Limitations	Amount Appropriations Are Under Limit
2015-16	$4,780,745,648	$3,803,672,985	$ 977,072,663
2016-17	5,101,447,580	4,016,311,527	1,085,136,053
2017-18	5,415,819,599	4,095,495,596	1,320,324,003
2018-19	5,669,148,096	4,353,097,592	1,316,050,504
2019-20	6,234,016,905	4,585,351,952	1,648,664,953
2020-21 Budget(1)	6,866,121,059	4,589,819,240	2,276,301,818

(1) The 2020-21 Appropriations Limit will be updated and considered by the City Council by the Fall of 2020 to reflect the State of California's Price and Population factors for 2020-21.

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

Articles XIIIC and XIIID of the California Constitution - Proposition 218

Articles XIIIC and XIIID 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 XIIIC 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, 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 XIIID 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.

In addition, Article XIIIC 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 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.

Proposition 26

Proposition 26 was approved by the electorate in 2010 and amended California Constitution Articles XIIIA and XIIIC. 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 XIIIA, XIIIC and XIIID 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 suits alleged that the City charged its electric utility customers fees that exceeded the cost of providing electric utility service, in violation of Proposition 26. See **"MAJOR GENERAL FUND REVENUE SOURCES—Power Transfer to General Fund,"** and **"LITIGATION"**.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. Furthermore, the voters of the City may approve initiatives that reduce or repeal local taxes, assessments, fees or charges. From time to time, other initiative measures could be adopted at the state or local level, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations, or which repeal or reduce existing taxes, assessments, fees or charges, which may affect the City's revenues or its ability to expend its revenues.

BONDED AND OTHER INDEBTEDNESS

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, by 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 (formerly sanitation equipment charge) revenue obligations; judgment obligation bonds; and special tax obligations, Mello-Roos bonds and certain special assessment obligations. Debt of the Housing and Community Investment 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 various voter authorizations for general obligation bonds that were outstanding as of July 1, 2020.

Table 38
GENERAL OBLIGATION BONDS
As of July 1, 2020

Date of Election	Projects	Amount Authorized	Amount Issued	Amount Outstanding[1]	Amount Authorized but Unissued
11/3/98	Zoo Facilities (Proposition CC)	47,600,000	47,600,000	4,585,272	--
11/3/98	Library Facilities (Proposition DD)	178,300,000	178,300,000	7,462,259	--
11/7/00	Fire, Paramedic, Helicopter and Animal Shelter Projects (Proposition F)	532,648,000	532,648,000	69,197,315	--
3/5/02	Emergency Operations, Fire, Dispatch and Police Facilities (Proposition Q)	600,000,000	600,000,000	99,519,356	--
11/2/04	Storm Water Projects (Proposition O)	500,000,000	439,500,000	208,600,798	60,500,000
11/8/16	Homelessness (Proposition HHH)	1,200,000,000	362,610,000	340,155,000	837,390,000
	Total	$3,058,548,000	$2,160,658,000	$729,520,000	$897,890,000

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

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

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

Table 39
2019-20 TYPICAL TAX RATE PER $100 OF ASSESSED VALUATION
TRAs 00067, 00013, 00016[1]

Countywide 1%	1.000000%
City of Los Angeles	.018084
Los Angeles Unified School District	.125520
Los Angeles Community College District	.027175
Metropolitan Water District	.003500
Total	1.174279%

(1) Tax Rate Areas 00067, 00013, and 00016 are the three largest within the City in terms of assessed valuation:
TRA 00067 2019-20 AV: $223,870,327,745
TRA 00013 2019-20 AV: $100,418,757,256
TRA 00016 2019-20 AV: $97,985,439,952

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 as of July 1, 2020.

Table 40
GENERAL FUND BONDED AND OTHER FINANCING LEASE OBLIGATIONS
As of July 1, 2020

Series	Project	Amount Issued	Amount Outstanding	Final Maturity
Public Offerings				
MICLA Refunding Certificates of Participation, Program AS (dated April 2, 2002)[1]	Real Property (Pershing Square)	$ 7,655,000	$ 720,000	10/1/21
MICLA Lease Revenue Bonds, Series 2010-A (dated November 23, 2010)	Capital Equipment and Fixtures	30,355,000	3,720,000	11/1/20
MICLA Lease Revenue Bonds, Series 2010-B (Taxable) (dated November 23, 2010)	Capital Equipment and Fixtures	49,315,000	6,125,000	11/1/20
MICLA Lease Revenue Bonds, Series 2010-C (Taxable) (dated November 23, 2010)	Real Property	18,170,000	15,895,000	11/1/40
MICLA Lease Revenue Bonds, Series 2012-A (dated May 10, 2012)[2]	Capital Equipment and Fixtures	92,635,000	23,155,000	3/1/22
MICLA Lease Revenue Bonds, Series 2012-B (dated May 10, 2012) [2]	Real Property	33,975,000	28,310,000	3/1/42
MICLA Lease Revenue Bonds, Refunding Series 2012-C (dated May 10, 2012) [2]	Real Property	109,730,000	61,375,000	3/1/32
MICLA Lease Revenue Bonds, Series 2014-A (dated September 24, 2014)	Real Property	41,800,000	32,765,000	5/1/34
MICLA Lease Revenue Bonds, Refunding Series 2014-B (dated September 24, 2014)	Real Property	51,730,000	17,885,000	5/1/33
MICLA Taxable Lease Revenue Refunding Bonds, Series 2015-A (dated November 19, 2015)	Real Property (Convention Center)	292,415,000	113,150,000	11/1/22
MICLA Lease Revenue Refunding Bonds, Series 2016-A (dated June 1, 2016)	Capital Equipment and Fixtures	125,235,000	91,530,000	11/1/26
MICLA Lease Revenue Refunding Bonds, Series 2016-B (dated June 1, 2016)	Real Property	685,270,000	601,425,000	11/1/39
MICLA Lease Revenue Bonds, Series 2018-A (dated February 6, 2018)	Capital Equipment and Fixtures	54,430,000	46,130,000	11/1/27
MCILA Lease Revenue Bonds, Series 2018-B (dated February 25, 2018)	Real Property	31,270,000	29,695,000	11/1/37
MICLA Lease Revenue Refunding Bonds, Series 2018-C (dated February 26, 2018)	Real Property	25,630,000	21,245,000	11/1/27
MICLA Lease Revenue Bonds, Series 2019-A (dated June 26, 2019)	Capital Equipment and Fixtures	86,610,000	84,010,000	11/1/28
MICLA Lease Revenue Refunding Bonds, Series 2019-B (dated June 26, 2019)	Real Property	102,750,000	101,160,000	11/1/38
Subtotal Public Offerings		$1,838,975,000	$1,278,295,000	
Private Placements				
MICLA Qualified Energy Conservation Bonds, Series 2011-A (Taxable) (dated October 26, 2011)	Real Property	11,920,000	4,861,203	10/1/28
MICLA 2013 Streetlights (dated September 9, 2013)	Capital Equipment and Streetlights	39,795,479	753,666	6/1/21
MICLA 2014 Equipment (dated November 19, 2014) [2]	Capital Equipment and Fixtures	67,257,597	31,947,592	11/1/24
MICLA 2016 Streetlights (dated April 5, 2016)	Capital Equipment and Streetlights	26,368,864	13,698,217	4/1/24
MICLA 2017 Streetlights Financing (dated April 18, 2017)	Capital Equipment and Streetlights	39,297,800	28,582,583	6/1/27
2017 Police Vehicles Lease Financing (dated November 15, 2017)	Capital Equipment	21,110,000	10,489,049	11/15/22
2017 Police Radios Lease Financing (dated December 22, 2017)	Vehicles and Handheld Radios	64,500,000	44,382,208	2/1/25
MICLA 2019 Streetlights Financing (dated September 30, 2019)	Capital Equipment and Fixtures	17,845,461	17,845,461	6/1/29
Subtotal Private Placements		$288,095,201	$152,559,979	
Total Lease Obligations		$2,127,070,201	$1,430,854,979	

(1) Primary source of repayment is a special tax on properties in the vicinity of Pershing Square through the establishment of a Mello-Roos District, but the City remains contingently liable for making up any deficiency from its General Fund.
(2) Expected to be refunded, in whole or in part, by the current issue.

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

Commercial Paper Program

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 July 1, 2020, $318.3 million in General MICLA CP was outstanding under this program. A portion of this amount will be refunded with proceeds of the Bonds described in the forepart of this Official Statement.

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 July 1, 2020, $17.7 million in LACC CP was outstanding under this program.

In connection with each of these CP programs, the City arranged for the issuance of one or more irrevocable direct-pay letters of credit and entered into a reimbursement agreement with each of the credit banks. If the letter of credit expires, and the City is unable to secure replacement letters of credit, the related letters of credit would be drawn upon to pay interest and principal due on the CP. Under the reimbursement agreement, the City is generally required to reimburse the credit banks over a period of time, but at no more than the stipulated 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 table below summarizes the direct pay letters of credit that currently support the payment of principal of and interest on the General MICLA CP and the LACC CP programs, respectively.

Table 41
LEASE REVENUE COMMERCIAL PAPER NOTES LETTERS OF CREDIT

Series	LOC Provider	Amount of CP Supported	LOC Expiration
A-1 and B-1	BMO Harris Bank, N.A.	$150,000,000	June 30, 2022
A-2 and B-2	Bank of America, N.A.	100,000,000	June 30, 2022
A-3 and B-3	U.S. Bank National Association	175,000,000	June 30, 2022
Convention Center	State Street Bank and Trust Company	100,000,000	June 30, 2022

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

Judgment Obligation Bonds

State and City law permit the issuance of bonds, payable from the City's General Fund, to finance an obligation imposed by law. The City has issued such obligations several times to finance judgments: $198.3 million in 1992, $15.4 million in 1993, $25.0 million in 1998, $39.0 million in 2000, $20.6 million in 2009, and $50. 9 million in 2010. All of these bonds have been retired.

Revenue Bonds

The Charter and State law provide for the issuance of revenue bonds, and the execution of installment purchase contracts that support revenue certificates of participation, 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 and certificates of participation have been issued that are secured by wastewater, refuse collection and parking revenues. In addition, three departments that are under the control of Boards appointed by the Mayor and confirmed by the Council, namely the departments of Water and Power, Harbor and Airports, have also issued revenue bonds.

Conduit Debt Obligations

The City has issued bonds or entered into installment purchase contracts secured by and payable from loans and installment sale contracts to provide conduit financing for single and multi-family housing, industrial development and unrelated third-party 501(c)(3) nonprofit corporations. These conduit bonds and certificates of participation are not managed by the CAO's Debt Management Group and are not obligations of the General Fund or other City revenues.

Cash-flow Borrowings

The City annually issues tax and revenue anticipation notes ("TRANs") to alleviate short-term cash flow needs that occur early in the fiscal year when taxes and revenues have not yet been received. A large portion of these cash flow needs arise from the City's long-standing practice of paying its contribution to its pension systems early in the fiscal year in order to receive a discount. The following table summarizes the City's most recent TRANs issuance.

Table 42
TAX AND REVENUE ANTICIPATION NOTES

Fiscal Year	LACERS	Fire and Police Pensions	Cashflow	Total Par Amount
2016-17	$450,695,000	$604,560,000	$392,425,000	$1,447,680,000
2017-18	439,678,882	619,240,476	390,135,642	1,449,055,000
2018-19	477,615,000	672,655,000	391,160,000	1,541,430,000
2019-20	539,935,000	680,670,000	434,425,000	1,655,030,000
2020-21	515,990,000	728,660,000	532,800,000	1,777,450,000

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

Summary of Long-Term Borrowings

The table below presents a pro-forma 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 43
NET DIRECT DEBT
As of July 1, 2020

	Outstanding
General Obligation Bonds	$729,520,000
Lease Obligations[1] [2]	
Capital Equipment and Fixtures	402,368,776
Real Property	1,028,486,203
Subtotal	$1,430,854,979
Judgment Obligation Bonds	0
GROSS DIRECT DEBT	$2,160,374,979
Revenue Bonds[2]	
Power Revenue (DWP)	$9,424,048,000
Water Revenue (DWP)[3]	5,050,495,000
Department of Airports	7,163,170,000
Harbor Department[4]	711,080,000
Wastewater System[3]	
Senior Revenue Bonds	1,002,070,000
Subordinate Revenue Bonds	1,622,615,000
Solid Waste Resources Fee (formerly Sanitation Equipment Charge)	185,660,000
Subtotal	$25,159,138,000
TOTAL CITY DEBT	$27,319,512,979
Less:	
Revenue Bonds	(25,159,138,000)
NET DIRECT DEBT	$2,160,374,979
Plus:	
Overlapping Debt[5]	$13,463,472,830
NET OVERALL DEBT	$15,623,847,809

(1) Includes only bonded and certificated lease obligations and long-term private placements.
(2) Does not include any commercial paper or revolving credit agreements.
(3) Does not include outstanding California State Revolving Fund loans.
(4) Does not include outstanding California Department of Boating and Waterways loans.
(5) Overlapping debt information from California Municipal Statistics, Inc. as of July 1, 2020. See Table 51.

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

Table 44
DEBT SERVICE TO MATURITY ON DEBT PAYABLE FROM PROPERTY TAXES[(1)]
As of July 1, 2020

	General Obligation Bonds		
Fiscal Year	Principal	Interest	Total
2021	$102,060,000	$26,395,722	$128,455,722
2022	97,160,000	22,164,987	119,324,987
2023	79,635,000	18,520,636	98,155,636
2024	61,525,000	15,776,651	77,301,651
2025	44,360,000	13,756,343	58,116,343
2026	37,355,000	12,199,068	49,554,068
2027	35,945,000	10,816,189	46,761,189
2028	34,485,000	9,492,207	43,977,207
2029	35,940,000	8,180,847	44,120,847
2030	31,225,000	6,916,369	38,141,369
2031	23,675,000	5,896,655	29,571,655
2032	23,595,000	5,044,121	28,639,121
2033	18,125,000	4,282,408	22,407,408
2034	18,125,000	3,609,407	21,734,407
2035	18,125,000	2,930,105	21,055,105
2036	18,125,000	2,248,646	20,373,646
2037	18,125,000	1,565,029	19,690,029
2038	18,125,000	879,255	19,004,255
2039	13,810,000	267,914	14,077,914
Total	$729,520,000	$170,942,555	$900,462,555

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

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

Table 45
DEBT SERVICE TO MATURITY ON BONDED AND CERTIFICATED LEASE OBLIGATIONS[1]
As of July 1, 2020

	Equipment and Fixtures			Real Property			
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Grand Total
2021	$ 72,838,627	$ 14,353,132	$ 87,191,759	$ 88,980,000	$ 45,584,739	$ 134,564,739	$ 221,756,498
2022	64,479,471	11,807,491	76,286,962	92,085,000	42,012,800	134,097,800	210,384,762
2023	54,358,869	9,465,668	63,824,537	60,910,000	38,847,694	99,757,694	163,582,231
2024	52,559,125	7,669,003	60,228,128	46,735,000	36,391,581	83,126,581	143,354,709
2025	47,062,276	5,824,667	52,886,943	47,800,000	34,091,443	81,891,443	134,778,386
2026	38,002,925	4,108,751	42,111,677	50,165,000	31,711,412	81,876,412	123,988,089
2027	40,019,738	2,426,763	42,446,502	51,845,000	29,308,003	81,153,003	123,599,504
2028	19,647,634	1,076,242	20,723,875	47,776,203	26,809,805	74,586,008	95,309,884
2029	13,400,109	313,766	13,713,875	46,305,000	24,526,207	70,831,207	84,545,083
2030	0	0	0	48,650,000	22,169,214	70,819,214	70,819,214
2031	0	0	0	51,140,000	19,676,416	70,816,416	70,816,416
2032	0	0	0	53,525,000	17,053,326	70,578,326	70,578,326
2033	0	0	0	53,855,000	14,295,602	68,150,602	68,150,602
2034	0	0	0	55,445,000	11,738,176	67,183,176	67,183,176
2035	0	0	0	54,620,000	9,320,283	63,940,283	63,940,283
2036	0	0	0	56,970,000	6,956,903	63,926,903	63,926,903
2037	0	0	0	59,545,000	4,372,372	63,917,372	63,917,372
2038	0	0	0	31,570,000	2,287,549	33,857,549	33,857,549
2039	0	0	0	18,920,000	1,126,273	20,046,273	20,046,273
2040	0	0	0	6,280,000	516,379	6,796,379	6,796,379
2041	0	0	0	3,375,000	252,281	3,627,281	3,627,281
2042	0	0	0	1,990,000	99,500	2,089,500	2,089,500
Total	$ 402,368,776	$ 57,045,483	$ 459,414,259	$ 1,028,486,203	$ 419,147,958	$ 1,447,634,161	$ 1,907,048,419

[1] Totals may not add due to independent rounding.

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

Debt Management Policies

The City adopted a written debt policy in August 1998, which was incorporated into the City's Administrative Code in May 2000, and has also adopted policies for Mello-Roos financing, variable rate debt and swaps. Revisions of these policies are pending review by the City Council. (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 46
DEBT MANAGEMENT POLICY RATIOS

Ratio	Ceiling	Adopted Budget 2019-20	Budget 2020-21
Total Direct Debt Service as Percent of General Revenues[1]	15.0%	5.90%	5.39%
Non-Voted Direct Debt Service as Percent of General Revenues[1]	6.0%[2]	3.92%	3.58%

(1) For purposes of the Debt Policy, General Revenues includes the General Fund, the General Obligation Bond Debt Service Fund, and any tax revenues deposited into special funds that pay debt service on lease revenue bonds.
(2) The 6% ceiling may be exceeded only if there is a guaranteed new revenue stream for the debt payments and the additional debt will not cause the ratio to exceed 7.5%, or there is not a guaranteed revenue stream but the 6% ceiling shall only be exceeded for one year.

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

The table below provides a comparison of City debt ratios for its net direct debt outstanding for the past five fiscal years.

Table 47
FINANCIAL RATIOS

As of June 30	Net Direct Debt	Net Debt Per Capita	Net Debt as Percent of Net Assessed Valuation
2016	$2,447,192,068	$615	0.52%
2017	2,279,944,100	568	0.46
2018	2,277,748,296	564	0.40
2019	2,241,343,140	555	0.37
2020	2,160,374,979	539	0.34

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

The table below shows debt service paid from the General Fund as a percent of General Fund revenues.

Table 48
GENERAL FUND DEBT SERVICE AS A PERCENTAGE OF GENERAL FUND[(1)]
($ in thousands)

Fiscal Year	Debt Service Payments[(2)]	General Fund Revenues[(3)]	Debt Service as Percentage of General Fund Revenue
2016-17	$196,407	$5,305,253	3.70%
2017-18	218,487	5,841,076	3.74
2018-19	226,334	6,236,881	3.67
2019-20 Estimated	228,118	6,569,750	3.47
2020-21 Budget	221,756	6,687,342	3.32

(1) Cash basis.
(2) Debt service payments on lease obligations and judgment obligation bonds.
(3) Including operating transfers in.

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

The table below provides a schedule of debt retirement for net direct debt.

Table 49
RETIREMENT OF NET DIRECT DEBT[1]
As of July 1, 2020

	General Obligation Bonds		Equipment and Fixtures Leases		Real Property Leases		Total	
Maturing Within	Maturing Principal	Cumulative % of Debt Retired	Maturing Principal	Cumulative % of Debt Retired	Maturing Principal	Cumulative % of Debt Retired	Maturing Principal	Cumulative % of Debt Retired
>0 to 5 years	$ 384,740,000	52.7%	$ 291,298,369	72.4%	$ 336,510,000	32.7%	$ 1,012,548,369	46.9%
>5 to 10 years	174,950,000	76.7%	111,070,406	100.0%	244,741,203	56.5%	530,761,609	71.4%
>10 to 15 years	101,645,000	90.7%	0	100.0%	268,585,000	82.6%	370,230,000	88.6%
>15 to 20 years	68,185,000	100.0%	0	100.0%	173,285,000	99.5%	241,470,000	99.8%
>20 to 25 years	0	100.0%	0	100.0%	5,365,000	100.0%	5,365,000	100.0%
Total	$ 729,520,000		$ 402,368,776		$ 1,028,486,203		$ 2,160,374,979	

[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 is the Commercial Paper program 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.

The City may also seek further general obligation bond voter authorization.

Table 50
PROPOSED SCHEDULE OF BOND ISSUANCES AND TRANSACTIONS
DEBT CALENDAR
(As of July 1, 2020)

Anticipated Sale Date	Project	Type of Obligation	Estimated Amount
September, 2020	Streetlight Retrofit	Privately Placed Lease Financing	$9 million
Spring 2021	Homelessness (Proposition HHH) and Storm Water (Proposition O)	General Obligation Bonds	$175 million

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. These local agencies have outstanding bonds issued primarily in the form of general obligation, pension obligation, lease revenue, special tax, and special assessment bonds. A statement of the overlapping debt of the City, prepared by California Municipal Statistics Inc., is shown in the following table. The City makes no representations as to its completeness or accuracy. Self-supporting revenue bonds, tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement. The City anticipates issuing additional bonded debt. (See **"BONDED AND OTHER INDEBTEDNESS—Introduction"** and **"Proposed Additional Financings"**). The City also anticipates that new special assessment and special tax districts may be created in the future within the City, and that debt supported by these special assessments and special taxes may be issued.

Table 51
STATEMENT OF OVERLAPPING DEBT
As of July 1, 2020

	Debt Outstanding 7/1/20	Estimated Percent Applicable	Estimated Shares Of Overlapping Debt 7/1/20
OVERLAPPING DEBT REPAID WITH PROPERTY TAXES			
The Metropolitan Water District of Southern California	$ 37,300,000	21.114%	$ 7,875,522
Los Angeles Community College District	4,234,460,000	72.044	3,050,674,362
Beverly Hills Unified School District	502,185,006	0.148	743,234
Inglewood Unified School District	144,715,000	0.840	1,215,606
Las Virgenes Unified School District	119,776,000	0.898	1,075,589
Los Angeles Unified School District	10,078,835,000	88.257	8,895,277,406
Other School Districts	470,780,019	Various	348,779
City of Los Angeles Community Facilities District No. 3	1,710,000	100.000	1,710,000
City of Los Angeles Community Facilities District No. 4	66,445,000	100.000	66,445,000
City of Los Angeles Community Facilities District No.8	5,600,000	100.000	5,600,000
Mountains Recreation and Conservation Authority Assessment Districts	16,545,000	100.000	16,545,000
Los Angeles Unified School District supported general obligation bonds			(24,120,638)
OTHER OVERLAPPING DEBT:			
Los Angeles County General Fund Obligations	2,317,550,679	40.481	938,167,690
Los Angeles County Superintendent of Schools Certificates of Participation	5,182,434	40.481	2,097,901
Los Angeles County Sanitation District Nos. 1, 4, 5, 8 & 16 Authorities	24,920,314	0.001-11.592	1,212,837
Inglewood Unified School District Certificates of Participation	1,310,000	0.840	11,004
Las Virgenes Unified School District Certificates of Participation	9,969,276	0.898	89,524
Los Angeles Unified School District Certificates of Participation	164,430,000	88.257	145,120,985
Los Angeles Unified School District QZAB Bonds			(8,492,971)
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	$361,840,000	100.000%	$361,840,000
SUBTOTAL, OVERLAPPING DEBT			$13,463,472,830
City of Los Angeles General Obligation Bonds	$ 729,520,000	100.000%	$ 729,520,000
City of Los Angeles General Fund Obligations	1,430,854,980	100.000	1,430,854,980
TOTAL CITY OF LOS ANGELES DIRECT DEBT			$2,160,374,980
TOTAL DIRECT AND OVERLAPPING DEBT			$15,623,847,810 [1]

[1] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

OTHER MATTERS

Seismic Considerations

The City is subject to unpredictable and significant seismic activity. A number of known faults run through the City, and the City lies near the San Andreas Fault, which is the boundary between the Pacific and North American tectonic plates. The complex Los Angeles fault system interacts with the alluvial soils and other geologic conditions in the hills and basins of the area. This interaction poses a potential seismic threat for every part of the City, regardless of the underlying geologic and soils conditions. In addition, there are likely to be unmapped faults throughout the City. The most recent major earthquake, the Northridge earthquake in 1994, occurred along a previously unmapped blind thrust fault. The City generally does not maintain earthquake insurance coverage; see **"BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program."**

Climate Change

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's Sustainable City pLAn (the "Plan," also referred to as the City's "Green New Deal"), released in 2015 and updated in 2019, provides a 20-year framework intended to both prepare for climate change and mitigate its effects on the City's economy, infrastructure and communities. The Plan sets forth several actions that may be taken by the City, including improving emergency response functions and disaster preparedness, reducing air and water pollution, and managing rising temperatures in urban environments. In addition, the City has begun construction of a series of groundwater remediation projects to reduce the City's reliance on imported water, is exploring the use of specially designed "cool roofs" to manage the effect of rising temperatures in urban environments, and is testing the effects of "cool pavement" (a special coating applied to city streets) to manage urban temperatures. The City continues to explore various other adaptive actions within the framework established by the Plan.

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.

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 has mitigated the attack and notified all the affected individuals immediately. Following this incident, certain City personnel attended security awareness training. 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 has conducted cyber security awareness training for all City employees with computer access, conducts phishing email tests, and provides periodic cybersecurity newsletters and workshops to its employees. In 2017, the City consolidated and distributed a comprehensive Information Security Policy Manual with sections dedicated to City employees, City managers, and City technology professionals. Also, the City conducts annual "penetration tests" to identify and remediate any potential weaknesses in its networks and weekly cyber vulnerability scanning on City servers and websites accessible by the Internet.

No assurances can be given that the City's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the City's computer and information technology systems could impact its operations and damage the City's digital networks and systems, and the costs of remedying any such damage could be substantial.

Clean Water Compliance

The Clean Water Act ("CWA") regulates the discharges of pollutants into the waters of the United States by establishing 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 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 LARWQCB.

On November 8, 2012, the LARWQCB adopted the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit ("MS4 permit") Order No. R4-2012-0175, which became effective on December 28, 2012. The MS4 permit establishes the TMDL of pollutants 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 of Los Angeles), the Los Angeles County Flood Control District, and the County are covered by the MS4 and responsible for compliance with the 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 for the option to work together to develop and implement Enhanced Watershed Management Programs ("EWMPs") to address permit and TMDL requirements. The MS4 permit has safe harbor provisions whereby, the City was deemed in compliance with the TMDLs during the development of the EWMPs, provided that all requirements and deadlines related to the EWMP development were met. As the EWMPs cross multiple local jurisdictions, the City collaborated with other participating agencies on the development of the EWMPs, which were approved by the LARWQCB in 2016.

Non-compliance with the MS4 permit and applicable TMDLs could result in enforcement action by the LARWQCB, civil penalties and fines, and potentially third-party lawsuits. For example, under State law, the LARWQCB may levy administrative fines of up to $10,000 per pollutant per day of violation and impose mandatory minimum penalties of $3,000 per pollutant per day of violation. In addition, under Federal law, the LARWQCB may seek civil liabilities of up to $53,484 per pollutant per day, reflecting an increase in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. Additionally, private citizens or

EPA can pursue penalties if the LARWQCB does not enforce on a violation. The City is responsible for its own fines, penalties and costs incurred as a result of non-compliance.

The City is currently in substantial compliance with the MS4 permit, but requires significant funding for capital, and operation and maintenance costs to implement the EWMPs to meet the TMDL compliance deadlines contained in the MS4 permit. The City has partially funded the monitoring and reporting programs required by the MS4 permit. The City's share of the costs of the projects required to meet the TMDLs through 2021 is estimated by the LARWQCB to be $1.5 billion. The City's Department of Sanitation is in the process of negotiating time extensions, and if not granted, the City could potentially face fines for failing to meet the 2021 TMDL compliance milestones. The City's share of the costs of the approved EWMP projects required to meet the TMDLs through 2037 is estimated by the LARWQCB to be approximately $7.2 billion. Estimating project costs over such a long time period is inherently difficult and no assurance can be provided by the City that LARWQCB's approved projections are accurate. City staff has issued a report approved by the Mayor and Council, to address funding options, including other revenue sources outside of the General Fund, many of which would require voter approval, to begin the projects necessary to satisfy the current TMDLs. The Council has instructed the CAO, in coordination with other City departments, to report back on a funding strategy, as well as an implementation plan. Without these other revenue sources, these costs would be obligations of the City's General Fund and could have a material adverse impact on the General Fund.

One source of funding for these Clean Water costs will be from a special parcel tax approved by Los Angeles County voters. On November 6, 2018, Los Angeles County voters approved Measure W – The Los Angeles Region Safe, Clean Water Program (Measure W), a parcel tax of 2.5 cents per square foot of impermeable surface to support the costs of stormwater-related projects and activities. The tax has been collected on property tax bills countywide beginning with Fiscal Year 2019-20, and is projected to generate approximately $300 million a year. This program is administered by the Los Angeles County Flood Control District (LACFCD). Revenues are allocated to three sub-programs: municipal, regional, and administrative. Fifty percent of revenues are allocated for region-wide projects and are awarded on a competitive basis. Forty percent of revenues are allocated to municipalities in the same proportion as the amount of revenues collected within each municipality. The remaining ten percent is allocated to the LACFCD for implementation and administration of the Measure W Program. Eligible uses for revenues include projects that provide a water supply and/or quality benefit and a community investment benefit.

The City has budgeted $34.1 million in the Fiscal Year 2020-21 Budget. In addition, the City is competing for project funding from the Measure W Regional Program Administered by LACFCD and has $60.5 million in approved but unissued general obligation bond authority for Storm Water Projects (Proposition O).

2028 Olympic and Paralympic Games

The City has been selected by the International Olympic Committee ("IOC") as the host city for the 2028 Olympic and Paralympic Games ("2028 Games"). The local host committee is named the Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 ("LA 2028").

In accordance with a Memorandum of Understanding between the City, the United States Olympic Committee ("USOC"), and LA 2028, an independent review was conducted by KPMG to validate the 2028 Games budget. The 2028 Games budget is $6.88 billion, which includes both a contingency against cost overruns of $615.9 million and the impact of inflation. The City and LA 2028 approved the Youth Sport Partnership Agreement in February 2020 to provide the City $160 million in order to enhance access and remove barriers to sport programming for youth leading up to the 2028 Games.

Pursuant to a Host City Contract between the City and the IOC, the IOC is protected against any costs and expenses in excess of those agreed to by the IOC. The City has several funding sources to finance expenses relative to the 2028 Games, including $160 million pursuant to a Youth Sport Partnership Agreement and up to $270 million from the State for budgetary shortfalls if the host committee has exhausted its funds and the City has spent $270 million on the 2028 Games.

Other cities that hosted the Olympic Games and the Paralympic Games have incurred significant financial obligations because of the extensive capital project expenses of construction of new public infrastructure and facilities. However, the City does not anticipate it will be necessary to construct extensive new capital projects in order to host the 2028 Games. The City is presently unable to determine the fiscal impact and financial risk to the City of hosting the 2028 Games.

LITIGATION

The City is routinely a party to a variety of pending and threatened lawsuits and administrative proceedings that may affect the General Fund of the City. The following list of certain newly completed, pending or threatened litigation matters involving the City was prepared by the Office of the City Attorney, and includes matters with a potential exposure of $10 million or more. For all pending or threatened litigation matters and administrative proceedings not listed below, the City believes, based on current facts and circumstances, that a final determination of such matters, either individually or in the aggregate, should not materially affect the General Fund's financial position. Certain litigation or administrative proceedings discussed below, if determined in a final and conclusive manner adverse to the City, may, individually or in the aggregate, materially affect the General Fund's financial position.

1. *LAPPL v. City of Los Angeles et al.*

   On January 14, 2009, the plaintiff, Los Angeles Police Protective League ("LAPPL"), filed a class action grievance alleging current and former officers were entitled to overtime under the Memorandum of Understanding, executed between the LAPPL and the City, for time spent on donning and doffing activities (i.e., dressing in and out of the uniform). The court ordered the parties to arbitration. Scheduling of the arbitration date is pending.

2. *Telephone Utility Users Tax Cases.*

   A number of claims have been filed in connection with the City's Telephone Utility Users tax on telephone services, which was amended in 2008 to eliminate any such future claims (see **"MAJOR GENERAL FUND REVENUE SOURCES — Utility Users Taxes"**). On December 27, 2006, in *Ardon v. City of Los Angeles*, plaintiff filed a class action that challenged the validity of the City's telephone utility users tax based on a federal government interpretation of the federal excise tax. The City settled this case in 2016, the terms of which capped its liability to \$92.5 million. A final accounting is still pending.

As part of the settlement, cases that were filed against the City for the same claim and dependent upon the result of *Ardon*, namely *J2 Global Communications, Inc. v. City of Los Angeles* and *TracFone Wireless, Inc. v. City of Los Angeles* (TracFone has filed two cases), were given the option to join the *Ardon* settlement claim process or continue pursuing their respective claims against the City. The plaintiffs in *J2* elected to opt in to the *Ardon* settlement as of the June 2016 deadline. The plaintiffs in *TracFone* have decided to pursue their claim separately. With respect to the two separate cases named *TracFone Wireless, Inc. v. City of Los Angeles*, the plaintiffs are seeking a combined refund of approximately \$3 million for the telephone utility users tax collected.

3. *Federal Accessibility Law Matters.*

False Claims Act Claim

The City Attorney was advised by letter, dated November 30, 2011, that the Civil Fraud Section of the U.S. Department of Justice was investigating whether the City allegedly violated the False Claims Act (FCA) in connection with certain federal accessibility law compliance certifications to U.S. Department of Housing and Urban Development ("HUD").

On June 7, 2017, the U.S. District Court of the Central District of California released its order announcing DOJ's election to intervene, on behalf of two private parties pursuing litigation against the City for FCA violations arising out of such certifications and other state common law claims against the City.

If the DOJ is successful in its suit, the City could face potential exposure to treble damages calculated based on the City's receipt of Community Development Block Grant ("CDBG"), HOME Investment Partnership, and Housing Opportunities for People with AIDS ("HOPWA") funds from 2005 through present, 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"). Under the VCA, the City agreed to take measures substantially similar to those that it had previously agreed to undertake in connection with the resolution of the *Independent Living* matter discussed below and recommit to ensure compliance with the Fair Housing Act. 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. Under the VCA, the City is 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 Center* settlement discussed below.

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, and (c) approximately $750,000 in plaintiffs attorneys' costs. The terms under this settlement agreement largely overlap with the construction and remediation obligations, required of the City under the VCA above. However, to account for additional costs associated with the monitoring of the terms of the settlement, the court is considering an additional payment from the City towards such costs. A final decision by the court is anticipated to be sometime in the Summer or Fall of 2020.

4. *Clear Channel Outdoor, Inc.*

Clear Channel filed a Claim for Damages, dated February 1, 2018, for an amount in excess of $100 million arising from a federal appellate court decision invalidating a settlement agreement between the City and certain outdoor advertising companies (the "Summit Media Decision"). The claim alleges: (i) violation of the City's representations and warranties in the settlement agreement that the conversions of its existing signs to digital technology did not violate the City's regulations, and that (ii) just compensation is due under the California Outdoor Advertising Act. The City denied the claim by letter dated March 1, 2018. The parties entered into another tolling agreement to extend the date when the statute of limitations begins to run. Unless extended, the statute will begin to run starting August 1, 2020.

5. *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.

6. *Power Revenue Fund Transfer Litigation.*

Chapman v. City of Los Angeles, Eck v. City of Los Angeles, and Eisan v. City of Los Angeles

Three class action lawsuits were filed against the City related to the Power Revenue Fund transfers - *Chapman v. City of Los Angeles, Eck v. City of Los Angeles,* and *Eisan v. City of Los Angeles*. See **"MAJOR GENERAL FUND REVENUE SOURCES—Power Revenue Transfers to General Fund,"** for more information regarding Power Revenue Fund transfers. The claimants in *Chapman, Eck,* and *Eisan* allege that the City violates Proposition 26 by charging customer fees in excess of the cost of providing electric utility service, as allegedly evidenced by DWP's practice of transferring surplus revenue to the City's General Fund. The three cases were consolidated into a single complaint ("*Eck*"), and litigated before a single judge. Initially, the plaintiffs, on behalf of a class of DWP electricity rate payers, sought a refund of the allegedly excess electricity fees that fund the Power Revenue Fund transfers collected from January 30, 2012 through the end of the lawsuit, as well as a declaration that the City's electric rates are invalid, and an injunction prohibiting future transfers. On February 22, 2016, the City filed a motion for judgment on the pleadings, arguing that the consolidated complaint should be dismissed because the plaintiff's claims are time-barred under the Public Utilities Code Section 10004.5. On April 25, 2016, the City's motion for judgment on the pleadings was granted with leave to amend. The plaintiffs filed an amended consolidated complaint on July 1, 2016. The amended complaint focused on claims related to the City's new electric rate ordinance (effective April 15, 2016).

On May 31, 2017, the City agreed to settle the consolidated *Eck* matter on a class-wide basis. On September 14, 2017, the settlement was preliminarily approved by the Court, such that notice could be provided to the class. Under the terms of the settlement, the City has agreed to limit the annual amount of revenue transferred from DWP to the City to 8 percent of the retail operating revenues of the 2008 Electric Rate Ordinance. This is estimated to be roughly $240 million annually. In addition, under the proposed settlement, the City will set aside approximately $52 million to cover attorney's fees, and other settlement-related costs. The remaining amount of the fund will be distributed as credits to then-existing DWP customers. The $52 million is funded by revenue collected from DWP customers between April 15, 2016 and July 1, 2017, that was intended to be transferred to the City. Thus, the money will not come from the City's General Fund. The court granted final approval of the settlement at a hearing on February 14, 2018. The court then entered final judgment in the matter on February 26, 2018. Subsequently, four objectors have filed notices of appeal from the final judgment. On September 26, 2018, the appeals of three of the objectors were dismissed by the appellate court for lack of standing. On October 15, 2019, the appeals court issued an order dismissing the last remaining appeal. All appeals challenging the settlement have been exhausted. The settlement can no longer be challenged in court.

Abcarian et al. v. Levine et al.

On September 21, 2016, a class action lawsuit was filed in the United States District Court for the Central District of California against 26 public officials and employees (but not against the City or the DWP) alleging that the City's electric rates are an illegal tax because they exceed the cost of providing electric utility service and, thus, the individual defendants as well as the City should be held liable for alleged civil rights and RICO violations. The plaintiffs, on behalf of a class defined as “all DWP water and electric customers from September 23, 2012 to the date of class certification,” seek a refund of alleged excess fees collected from September 23, 2012, as well as general, punitive and treble damages. They also seek a declaration and an injunction prohibiting future transfers. On October 8, 2016, the plaintiffs filed a motion for a preliminary injunction, seeking to enjoin both the charging of rates above the alleged cost of service, as well as the transfer of funds from the DWP to the City.

The defendants filed an opposition to the plaintiffs’ motion for a preliminary injunction, as well as a motion to stay the case pending resolution of the previously filed state court litigation (the *Eck* litigation) and a motion to dismiss the complaint. On November 28, 2016, the district court granted the defendants’ motion to stay this lawsuit pending resolution of the *Eck* litigation, and denied the plaintiffs’ motion for a preliminary injunction. The plaintiffs appealed both rulings to the U.S. Court of Appeals for the Ninth Circuit. On July 3, 2017, the U.S. Court of Appeals for the Ninth Circuit affirmed the district court’s order staying the action pending final settlement resolution of the *Eck* litigation and the district court’s order denying the plaintiff’s motion for a preliminary injunction. On April 20, 2018, the district court lifted the stay in this matter in light of the state court entering final judgment in the *Eck* litigation.

On July 2, 2018, the plaintiffs filed an amended complaint which adds claims for conversion, breach of contract, and interference with prospective economic advantage. On July 16, 2018, the City filed a motion to dismiss the amended complaint. On January 3, 2019, the district court granted the defendants' motion to dismiss. The district court granted the motion to dismiss with prejudice as to the federal claims asserted in the amended complaint, and without prejudice as to the state law claims asserted in the amended complaint. That same day, the district court entered judgment in favor of the defendants. Plaintiffs have appealed this decision to the Ninth Circuit Court of Appeals. On October 15, 2019, oral argument was held on the appeal. A decision has yet to be issued. Given the dismissal of the complaint at the trial court, combined with the *Eck* settlement, an estimable liability amount is difficult to ascertain at this time.

Humphreville v. City of Los Angeles et al.

On July 25, 2018, another lawsuit challenging the transfer was filed in Los Angeles County Superior Court (*Humphreville v. City of Los Angeles, et al.*) by a plaintiff who had previously opted out of the *Eck* settlement. The plaintiff filed a petition for writ of mandate and a complaint for declaratory and injunctive relief alleging the Power Revenue Fund transfer violates Proposition 26 (Article XIII C of the California Constitution). Subsequently, on or about October 5, 2018, the plaintiff filed a first amended petition for writ of mandate and complaint for injunctive and declaratory relief alleging the Power Revenue Fund transfer violates Proposition 26, or, in the alternative, that the City's Power Revenue Fund transfer violates the City Charter.

The petition/complaint seeks a writ of mandate requiring the City to comply with Proposition 26, as well as an injunction preventing the City from further Power Revenue Fund transfers or, in the alternative, an injunction requiring the City to comply with the City Charter. On November 9, 2018, the defendants filed a demurrer to the first amended petition. On January 16, 2019, the trial court sustained the demurrer to the amended petition with leave to amend. The plaintiff filed a second amended petition for writ of mandate and complaint for injunctive and declaratory relief alleging that the City's transfer practices (not just the Power Revenue Fund transfer itself) violate Proposition 26. The defendants filed a demurrer, and on April 22, 2019, the trial court sustained the demurrer to the second amended petition without leave to amend. The plaintiffs filed a notice of appeal on July 15, 2019. It may be a year before this appeal is resolved.

7. *Gas Utility Users Tax Cases.*

Lavinksy et al. v. City of Los Angeles. This case involves a class action lawsuit in connection with the City's gas utility users tax. Plaintiff filed a class action lawsuit seeking a refund of gas taxes paid to the City on behalf of the classes attributable to the inclusion of the State regulatory fee and the Public Purpose Surcharge in computing the City's gas utility users tax on plaintiff's natural gas bills. In December 2014, the court ruled in favor of the plaintiff's summary judgment motion and concluded that the City's calculation of the tax was improper and did result in overcharges of the City's gas utility users tax. The class was certified on October 21, 2015. After further settlement discussions, the parties settled the matter for approximately $32,500,000, inclusive of attorney's fees and administrative costs. The settlement amount to the class plaintiffs would be in the form of an abatement against an adjusted gas utility users tax to be collected from ratepayers. The abatement is expected to occur over a period of years. Cash payments associated with administrative costs and attorney's fees is estimated to be approximately $10 million. The court issued its final settlement approval in October 2019.

Enquist et al. v. City of Los Angeles. This case also involves a class action lawsuit in connection with the City's gas utility users tax. Plaintiffs filed its class action lawsuit on August 13, 2015 and seeking a refund of gas taxes paid to the City. The suit challenges the City's method of taking into account Customer Charges and Service Establishment Charges in computing the tax, which the City continues to follow. Plaintiffs seek an unspecified refund amount. The court certified the class in April 2019. In the event of an adverse finding or verdict, based on the pleadings, the City's potential liability could range as high as $36 million, plus attorney's fees.

8. *Brewster v. City of Los Angeles.*

On or about November 2, 2014, plaintiff 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 plaintiff's 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 matter is now pending in Federal District Court. In the event a class is certified, the potential liability the City may incur with an adverse ruling may range between $75 million to $100 million. The City plans to oppose the plaintiff's motion for class certification. Without class certification, the City's exposure should be less than $2 million.

9. *Blue Cross of America v. City of Los Angeles.*

On March 30, 2017, Blue Cross filed a protective tax refund complaint of business taxes paid for tax year 2015, under Article XIII, Section 28 of the California Constitution. In October 2017, Blue Cross filed a supplemental claim (together with the 2017 complaint, the "Blue Cross Action") seeking additional refunds of business taxes paid for tax years 2016, 2017, 2018 and 2019. Blue Cross' protective refund action arises out of a separate action in Los Angeles County Superior Court, entitled *Michael D. Myers v. State Board of Equalization, et al. (BS143436)("Myers")*. *Myers* proceeded under a California statute that permitted an individual taxpayer to sue a governmental agency when the taxpayer believes the agency has failed to enforce governing law.

One of the issues to be resolved in *Myers*, is whether Blue Cross is an "insurer" for purposes of California tax law and therefore required to pay a gross premiums tax in lieu of a corporate franchise tax. Following an adverse appellate court ruling, which concluded that the matter should be first adjudicated at the trial court, on April 2, 2019, Blue Cross filed a request to the California Supreme Court to resolve the question of whether Blue Cross is an "insurer" under the California Constitution. The California Supreme Court denied the appeal on May 15, 2019. The case is set for trial in July 2020. If Blue Cross is ultimately determined to be an "insurer," it would likely be entitled to a refund of previously paid City business tax. Presently, the refund is estimated to be approximately $40.5 million (inclusive of interest), plus attorney's fees.

10. *Apartment Owners Association of Ca. v. City of Los Angeles.*

On September 27, 2017, the plaintiffs filed a class action claim in Superior Court alleging the franchise fee collected by the City from private commercial waste haulers for the rights to service commercial and multi-family buildings should be treated as a tax under Proposition 218, and therefore required voter approval. The City rejects the allegation. The court has yet to certify the class status of the plaintiffs. Due to the preliminary nature of the matter, an assessment of liability is difficult to ascertain.

11. *Abikzer et al. v. City of Los Angeles et al.*

On May 18, 2018, the plaintiff filed suit in Superior Court alleging negligence against the City and other causes of action against Mercedes-Benz USA associated with a collision between a City employee driven vehicle and the plaintiff. The accident resulted in the plaintiff's legs being amputated. Due to COVID-19, the initial March 2020 trial date was vacated. A scheduling conference for a new trial date is expected to occur in August 2020. In the event of an adverse verdict, the City's liability could be as high as $15 million.

12. *Shear et al. v. City of Los Angeles et al.*

On May 17, 2018, the plaintiffs filed suit against the City and other named defendants in connection with the death of the plaintiffs' father who was struck by a private vehicle while walking in a marked crosswalk in Venice. The plaintiffs allege that the collision was, in part, caused by the dangerous conditions of the roadway. On June 16, 2020, the parties agreed to settle all claims for $12.25 million.

13. *Capital Foresight Investments, LP et al v. City of Los Angeles.*

On September 15, 2019, the plaintiffs filed suit against the City over the City's seventy-inch below-ground storm drain located under the plaintiff's properties. The plaintiffs allege that the City does not hold an easement on the plaintiff's property for the drain and thus its presence limits the developmental value of the property. The City's potential liability is approximately $15 million, which is the City's estimated cost to relocate the storm drain.

14. *Felix Tsatrvan v. City of Los Angeles.*

On April 26, 2019, the plaintiff filed suit against the City for sexual harassment and discrimination. Plaintiff is an LAPD officer and alleges that he was subject to harassment and discrimination by his supervisor. The City's initial potential liability was estimated at $13 million. In April 2020, the parties settled all the claims for approximately $200,000.

15. *Andrew Wilson et al. v. City of Los Angeles et al.*

In 1984, plaintiff was arrested and charged with the robbery felony-murder of Christopher Hanson. The plaintiff maintained his innocence. After spending 34 years in custody, the plaintiff was released. Following his release, the plaintiff sued the City, together with other parties, for wrongful incarceration in Federal court. He alleged that the only evidence directly connecting him to the murder was the eyewitness testimony of a witness to the murder, and that the witness' identification of the plaintiff was the result of wrongdoing by one of the LAPD Detectives who was involved in the murder investigation. As a result of the Detective's alleged wrongdoing, the plaintiff was wrongfully convicted of murder. In the event of an adverse ruling at trial, the City's potential liability could be approximately $15 million.

16. *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 of Los Angeles (City) and the County of Los Angeles (County) for violating various State and Federal laws in connection with homeless individuals. The plaintiffs contend that the County and the City have not made sufficient progress in providing housing and other services to the homeless population. Such failure has resulted in impassable sidewalks and exposed the public to health risks, environmental hazards, increased crime, and untreated mental illness and addiction. The plaintiffs demand that the Defendants provide immediate shelter for all homeless individuals to abate the degradation of the cities and communities.

On May 15, 2020, the US District Court 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 beds 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 Court approved the agreement and vacated the preliminary injunction.

A preliminary estimate of the cost to the City for providing the beds is $200 million. The City estimates that the annual cost of operations and services for this population is $120 million, of which the County has agreed to pay the City approximately $60 million per year for five years. The City has committed to fund the remaining half of the estimated annual operations and services costs. Such costs will total approximately $300 million over five years. While the City anticipates that these obligations will be financed with COVID-related funds, these obligations could result in additional expenditures from the City's General Fund; no such General Fund expenditure is anticipated for Fiscal Year 2020-21.

17. *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. Due to the preliminary nature of the lawsuit, an estimable amount of liability cannot be determined.

In addition to the cases listed above, the following lawsuit has been filed challenging the City's actions relative to freezing OPEB Benefits for sworn employees. (See **"BUDGET AND FINANCIAL OPERATIONS—Retirement and Pension Systems—Fire and Police Pension Plan,"** above).

1. *Los Angeles Police Protective League and United Firefighters of Los Angeles City v. Board of Fire and Police Pension Commissioners v. City of Los Angeles.*

In this case plaintiffs seek a judgment declaring that their letter of agreement with the City requires the Retirement Board to increase the retirees' medical subsidy by the maximum amount allowable per year under the Administrative Code. The City prevailed on a demurrer, but the Court of Appeal reversed and issued a remitter, sending the case back to the trial court to resolve disputed factual issues. A bench trial occurred from September 26 to September 28, 2016. Following the bench trial, the court issued a tentative decision in favor of the plaintiffs. In November 2016, the trial court ruled in favor of the plaintiffs' claim with respect to the medical subsidy. The City appealed the trial court ruling. On October 30, 2018, the appellate court reversed the trial court and ordered that the case be remanded for a new trial.

On August 10, 2017, the Los Angeles Police Protective League filed an additional lawsuit against the Board of Police Pension Commissioners 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. A trial date is scheduled for December 2020. In the event of an adverse ruling, which is reasonably possible, a special study would need to be conducted by the LAFPP Plan actuary in order to quantify the costs of the annual subsidy increase.

PART 2: HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION

Introduction

The City of Los Angeles is the second most populous city in the United States, with an estimated 2020 population of 4.01 million persons. Los Angeles is the principal city, comprised of 470 square miles, of a metropolitan region stretching from the City of Ventura to the north, the City of San Clemente to the south, the City of San Bernardino to the east, and the Pacific Ocean to the west.

The economic and demographic information below is provided as general background. Although it has been collected from sources that the City considers to be reliable, the City has made no independent verification of the information provided by non-City sources and the City takes no responsibility for the completeness or accuracy thereof. The current state of the economy of the City, State of California and the United States of America may not be reflected in the data discussed below, because more up-to-date information is not publicly available. In particular, the impact of the COVID-19 pandemic on the local economy and workforce is not reflected in the information within.

History

Founded in 1781, Los Angeles was for its first century a provincial outpost under successive Spanish, Mexican and American rule. Incorporated in 1850 under the provisions of a City Charter, the City experienced a population boom following its linkage by rail with San Francisco in 1876. Los Angeles was selected as the Southern California rail terminus because its natural harbor seemed to offer little challenge to San Francisco, home of the railroad barons. But what the region lacked in commerce and industry, it made up in temperate climate and available real estate, and soon tens and then hundreds of thousands of people living in the Northeastern and Midwestern United States migrated to new homes in the region. Agricultural and oil production, followed by the creation of a deep-water port, the opening of the Panama Canal, and the completion of the City-financed Owens Valley Aqueduct to provide additional water, all contributed to an expanding economic base. The City's population climbed to 50,000 persons in 1890, and then swelled to 1.5 million persons by 1940. During this same period, the automobile became the principal mode of American transportation, and the City developed as the first major city of the automotive age. Following World War II, the City became the focus of a new wave of migration, with its population reaching 2.4 million persons by 1960.

The City and its surrounding metropolitan region continued to experience growth in population and in economic diversity. The City's 470 square miles contain 11.5 percent of the area of the County of Los Angeles, California (the "County") and approximately 39 percent of the population of the County. Tourism and hospitality, professional and business services, direct international trade, entertainment (including motion picture and television 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 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 52
CITY, COUNTY AND STATE POPULATION STATISTICS

	City of Los Angeles	Annual Growth Rate[(1)]	County of Los Angeles	Annual Growth Rate[(1)]	State of California	Annual Growth Rate[(1)]
2000[(1)]	3,694,742	-	9,519,330	-	33,873,086	-
2005[(1)]	3,769,131	0.40%	9,816,153	0.62%	35,869,173	1.18%
2010[(1)]	3,792,621	0.12	9,818,605	0.00	37,253,956	0.77
2015[(1)]	3,946,487	0.81	10,126,423	0.63	38,870,150	0.87
2016	3,972,008	0.65	10,158,196	0.31	39,131,307	0.67
2017	4,001,642	0.75	10,193,753	0.35	39,398,702	0.68
2018	4,019,818	0.45	10,209,676	0.16	39,586,646	0.48
2019	4,013,170	(0.17)	10,184,378	(0.25)	39,695,376	0.27
2020	4,010,684	(0.06)	10,172,951	(0.11)	39,782,870	0.22

(1) For five-year time series, figures represent average annual growth rate for each of the five years.

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark. Sacramento, California, May 2020.

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 53
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF RESIDENT LABOR FORCE[(1)]

Civilian Labor Force	2015	2016	2017	2018	2019
City of Los Angeles					
Employed	1,872,300	1,927,600	1,965,300	1,982,600	1,988,500
Unemployed	141,100	106,900	98,800	97,600	92,900
Total	2,013,400	2,034,500	2,064,100	2,080,200	2,081,300
County of Los Angeles					
Employed	4,650,700	4,765,900	4,841,900	4,860,300	4,894,300
Unemployed	329,600	264,600	242,200	235,200	227,300
Total	4,980,300	5,030,500	5,084,000	5,095,500	5,121,600
Unemployment Rates					
City	7.0%	5.3%	4.8%	4.7%	4.5%
County	6.6%	5.3%	4.8%	4.6%	4.4%
State	6.2%	5.5%	4.8%	4.3%	4.0%
United States	5.3%	4.9%	4.4%	3.9%	3.7%

(1) March 2019 Benchmark report as of March 13, 2020; not seasonally adjusted.

Note: Based on surveys distributed to households; not directly comparable to Industry Employment data reported in Table 59.

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.

Over the past four months, the pandemic has caused an unprecedented loss of jobs and an increase in unemployment. The California Employment Development Department has reported preliminary unemployment figures for June 2020 of 14.9 percent statewide, 19.5 percent for the County, and 19.8 percent for the City (not seasonally adjusted). The increase in statewide unemployment from 5.5 percent in March represents the largest percentage loss of jobs and the highest unemployment rate in the State's data series that dates back to 1976. The previous high in unemployment in this series was 12.3 percent at the height of the Great Recession in 2010.

The following table summarizes the California Employment Development Department's estimated annual employment for the County, 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 54
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE[1]

	County of Los Angeles 2019	% of Total	State of California 2019	% of Total
Agricultural	5,000	0.1%	424,100	2.4%
Mining and Logging	2,900	0.1	22,500	0.1
Construction	126,100	2.9	882,600	4.9
Manufacturing	368,200	8.6	1,322,500	7.4
Trade, Transportation and Utilities	822,200	19.1	3,051,900	17.1
Information	207,600	4.8	562,600	3.2
Financial Activities	215,600	5.0	841,200	4.7
Professional and Business Services	593,800	13.8	2,721,100	15.2
Educational and Health Services	745,900	17.4	2,803,400	15.7
Leisure and Hospitality	486,600	11.3	2,033,200	11.4
Other Services	151,000	3.5	576,100	3.2
Government	568,500	13.2	2,608,000	14.6
Total[2]	4,293,500		17,849,200	

(1) The California Economic Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.
(2) May not add due to rounding.

Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table 53.

Source: California Employment Development Department, Labor Market Information Division. Based on March 2019 Benchmark report dated March 13, 2020.

Major Employers

The estimated top 25 major non-governmental employers in the County in 2019 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 6.1 percent of the labor force.

Table 55
LOS ANGELES COUNTY
2019 MAJOR NON-GOVERNMENTAL EMPLOYERS

Employer	Product/Service	Employees
Kaiser Permanente Southern California	Nonprofit health care plan	40,309
University of Southern California	Private university	21,710
Northrop Grumman Corp.	Defense contractor	18,000[1]
Providence St. Joseph Health southern California	Health care	15,952
Target Corp.	Retailer	15,000
Cedars-Sinai	Health system	14,713
Allied Universal	Security professionals	13,972
Ralphs/Food 4 Less (Kroger Co. Division)	Grocery retailer	13,271
Walt Disney Co.	Media and entertainment	13,000[1]
NBCUniversal	Media and entertainment	12,000
AT&T	Telecommunications, DirecTV, cable, satellite and television provider	11,500[1]
Home Depot	Home improvement specialty retailer	11,200[1]
Albertsons Cos.	Grocery retailer	10,200[1]
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	9,015
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	9,000[1]
UPS	Logistics, transportation and freight	8,417
Wells Fargo Bank, N.A.	Diversified financial services	8,263
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	8,000[1]
Bank of America Corp.	Banking and financial services	7,500
FedEx Corp.	Shipping and logistics	7,000[1]
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	6,350
Dignity Health	Health care	6,000
Space Exploration Technologies Corp (SpaceX)	Rockets and spacecraft	6,000[1]
Children's Hospital Los Angeles	Hospital	6,000
Raytheon Co.	Aerospace and defense	5,800

(1) Business Journal estimate.

Source: Los Angeles Business Journal, Weekly Lists, originally published August 26, 2019.

The estimated top 25 major governmental employers in the County in 2019 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 8.5 percent of the labor force.

Table 56
LOS ANGELES COUNTY
2019 LARGEST PUBLIC SECTOR EMPLOYERS

Employers	Employees
Los Angeles County	111,805
Los Angeles Unified School District	63,576
University of California, Los Angeles	48,736
U.S. Government – Federal Executive Board(1)	48,000
City of Los Angeles(2)	33,760
State of California(3)	29,700
Long Beach Unified School District	12,511
Los Angeles County Metropolitan Transportation Authority	9,817
Los Angeles Department of Water and Power (LADWP)	9,400
Los Angeles Community College District	6,984
City of Long Beach	4,852
California State University, Northridge	4,117
Los Angeles World Airports (LAWA)	3,668
California State University, Los Angeles	3,079
Pomona Unified School District	2,980
Montebello Unified School District	2,597
California State University, Long Beach	3,045
California State Polytechnic University, Pomona	2,466
Compton Unified School District	2,293
City of Pasadena	2,175
City of Santa Monica	2,170
Mt. San Antonio Community College District	2,062
City of Glendale	2,025
William S. Hart Union High School District	1,960
Santa Monica Community College District	1,919

(1) Excludes law enforcement and judiciary employees.
(2) Excludes proprietary departments (LADWP, LAWA, Port of L.A.).
(3) Excludes education employees.

Source: Los Angeles Business Journal, Weekly Lists, originally published August 26, 2019.

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.

Table 57
COUNTY, STATE AND U.S.
PERSONAL INCOME

Year and Area	Personal Income (thousands of dollars)	Per Capita Personal Income[1] (dollars)
2015		
County[2]	$ 560,086,671	$55,470
State[3]	2,171,947,400	55,758
United States[3]	15,709,242,000	48,994
2016		
County[2]	$ 578,154,382	$57,127
State[3]	2,263,889,800	57,739
United States[3]	16,111,636,000	49,890
2017		
County[2]	$ 597,597,564	$59,058
State[3]	2,370,112,400	60,156
United States[3]	16,870,106,000	51,910
2018		
County[2]	$ 628,808,732	$62,224
State[3]	2,514,129,300	63,557
United States[3]	17,813,035,000	54,526
2019		
County	N/A	N/A
State[3]	$ 2,633,925,500	$66,661
United States[3]	18,599,062,400	56,663

(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 2014 to 2018 reflect county population estimates available as of March 2019.
(2) Last updated: November 14, 2019 – new statistics for 2018; revised statistics for 2014 – 2017.
(3) Last updated: March 24, 2020 –new statistics for 2019; revised statistics for 2015 – 2018.

Source: U.S. Bureau of Economic Analysis, "Table SAINC1: Personal Income Summary" and "Table CAINC1: Personal Income Summary" (accessed May 14, 2020).

Retail Sales

As the largest city in the County, the City accounted for $46.4 billion (or 29.2 percent) of the total $159.3 billion in County taxable sales for 2017. The following table sets forth a history of taxable sales for the City for calendar years 2013 through 2017, that being the last full year for which data is currently available.

Table 58
CITY OF LOS ANGELES
TAXABLE SALES
(in thousands)

	2013	2014	2015	2016	2017
Motor Vehicle and Parts Dealers	$3,983,625	$4,158,168	$ 4,616,450	$ 4,769,093	$ 4,622,056
Home Furnishings and Appliance Stores	1,683,805	1,725,981	1,826,089	1,945,181	1,961,526
Bldg. Materials and Garden Equip. and Supplies	2,086,608	2,179,954	2,335,497	2,384,196	2,473,704
Food and Beverage Stores	2,444,701	2,582,338	2,718,199	2,781,424	2,909,256
Gasoline Stations	4,954,380	4,822,894	4,252,397	3,670,450	3,973,137
Clothing and Clothing Accessories Stores	3,032,886	3,102,222	3,190,617	3,201,152	3,211,610
General Merchandise Stores	2,873,530	2,899,454	2,725,354	2,600,015	2,625,576
Food Services and Drinking Places	6,946,625	7,534,764	8,194,963	8,775,092	9,273,851
Other Retail Group	3,943,616	3,969,898	4,112,670	4,229,201	4,292,027
Total Retail and Food Services	31,949,776	32,975,673	33,972,239	34,355,804	35,342,745
All Other Outlets	9,806,938	10,480,659	10,074,458	10,624,426	11,140,035
TOTAL ALL OUTLETS	$41,756,714	$43,456,334	$44,046,697	$44,980,230	$46,482,780
Year-over-year growth	4.1%	4.1%	1.4%	2.1%	3.3%

Source: 2013 – 2016: California State Board of Equalization, Research and Statistics Division.
2017: California Department of Tax and Fee Administration, Research and Statistics.

Land Use

The following table, derived from data maintained by the Los Angeles County Assessor, indicates various land uses within the City based on assessed valuation and the number of parcels.

Table 59
CITY OF LOS ANGELES
ASSESSED VALUATION AND PARCELS BY LAND USE

Non-Residential	2019-20 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Commercial Office	$ 89,375,506,829	14.20%	36,098	4.57%
Vacant Commercial	2,358,938,714	0.37	1,298	0.16
Industrial	41,543,415,939	6.60	19,833	2.51
Vacant Industrial	1,953,488,313	0.31	4,124	0.52
Recreational	2,485,792,286	0.39	780	0.10
Government/Social/Institutional	3,741,059,575	0.59	3,711	0.47
Miscellaneous	343,268,561	0.05	1,717	0.22
Subtotal Non-Residential	$141,801,470,217	22.52%	67,561	8.55%
Residential				
Single Family Residence	$333,739,273,638	53.01%	500,868	63.35%
Condominium/Townhouse	41,478,672,795	6.59	89,243	11.29
Mobile Homes and Lots	156,654,562	0.02	3,491	0.44
Mobile Home Park	224,247,648	0.04	93	0.01
2-4 Residential Units	33,825,739,832	5.37	74,968	9.48
5+ Residential Units/Apartments	74,980,597,031	11.91	35,450	4.49
Vacant Residential	3,339,511,385	0.53	18,888	2.39
Subtotal Residential	$487,744,696,891	77.48%	723,029	91.45%
Total	$629,546,167,108	100.00%	790,590	100.00%

(1) Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Residential Value and Construction Activity

The following table indicates the array of assessed valuation for single-family residential properties in the City.

Table 60
CITY OF LOS ANGELES
PER PARCEL ASSESSED VALUATION OF SINGLE-FAMILY RESIDENTIAL PROPERTIES

	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential Properties	500,868	$333,739,273,638	$666,322	$391,532

2019-20 Assessed Valuation	No. of Residential Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	8,742	1.745%	1.745%	$ 303,924,372	0.091%	0.091%
$50,000 - $99,999	20,068	4.007	5.752	1,502,952,724	0.450	0.541
$100,000 - $149,999	22,674	4.527	10.279	2,836,562,748	0.850	1.391
$150,000 - $199,999	30,747	6.139	16.418	5,409,903,903	1.621	3.012
$200,000 - $249,999	38,356	7.658	24.076	8,623,195,920	2.584	5.596
$250,000 - $299,999	44,974	8.979	33.055	12,348,286,310	3.700	9.296
$300,000 - $349,999	50,239	10.030	43.085	16,305,318,645	4.886	14.182
$350,000 - $399,999	52,845	10.551	53.636	19,777,981,080	5.926	20.108
$400,000 - $449,999	35,499	7.087	60.723	15,068,367,027	4.515	24.623
$450,000 - $499,999	28,743	5.739	66.462	13,640,709,225	4.087	28.710
$500,000 - $549,999	22,001	4.393	70.855	11,539,810,513	3.458	32.168
$550,000 - $599,999	18,634	3.720	74.575	10,698,524,760	3.206	35.374
$600,000 - $649,999	15,333	3.061	77.636	9,571,119,261	2.868	38.241
$650,000 - $699,999	13,801	2.755	80.392	9,304,910,220	2.788	41.030
$700,000 - $749,999	11,620	2.320	82.712	8,410,904,600	2.520	43.550
$750,000 - $799,999	9,438	1.884	84.596	7,306,569,270	2.189	45.739
$800,000 - $849,999	8,383	1.674	86.270	6,908,371,619	2.070	47.809
$850,000 - $899,999	7,290	1.455	87.725	6,371,131,950	1.909	49.718
$900,000 - $949,999	6,999	1.397	89.122	6,468,944,733	1.938	51.656
$950,000 - $999,999	5,514	1.101	90.223	5,372,681,694	1.610	53.266
$1,000,000 and greater	48,968	9.777	100.000	155,969,103,064	46.734	100.000
Total	500,868	100.000%		$333,739,273,638	100.000%	

[1] Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

The table below provides a summary of building permits issued by the City by calendar year.

Table 61
CITY OF LOS ANGELES
RESIDENTIAL BUILDING PERMIT VALUATIONS AND NEW UNITS

	2015	2016	2017	2018	2019
Valuation[1]	$6,808	$6,822	$7,924	$8,654	$8,520
Residential[2]	3,385	3,359	3,522	3,940	3,437
Non-Residential[3]	880	729	1,197	1,256	1,091
Miscellaneous Residential[4]	28	25	134	180	173
Miscellaneous Non-Residential[5]	40	56	87	40	146
Number of Residential Units:					
Single family[6]	2,246	2,393	3,148	3,598	3,739
Multi-family[7]	13,246	11,495	10,984	12,659	10,693
Subtotal Residential Units	15,492	13,888	14,132	16,257	14,432
Number of Non-Residential Units[8]	613	97	630	12	1
Miscellaneous Residential Units[9]	393	672	4,701	4,614	5,014
Miscellaneous Non-Residential Units[10]	736	1,036	100	493	475
Total Units	17,234	15,693	19,563	21,376	19,922

(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.