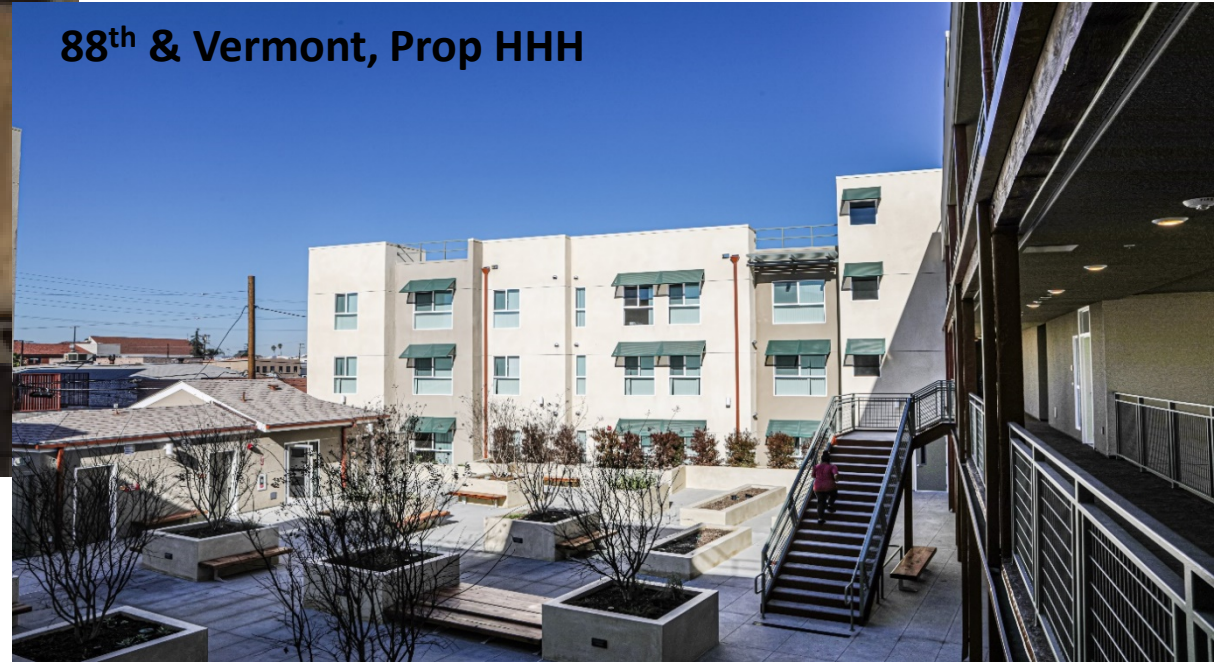


ESG Presentation for the City of Los Angeles

Terminal Island Water Reclamation Plant



88th & Vermont, Prop HHH



Presented by Natalie R. Brill, Chief of Debt Management
City Administrative Officer
March 9, 2020

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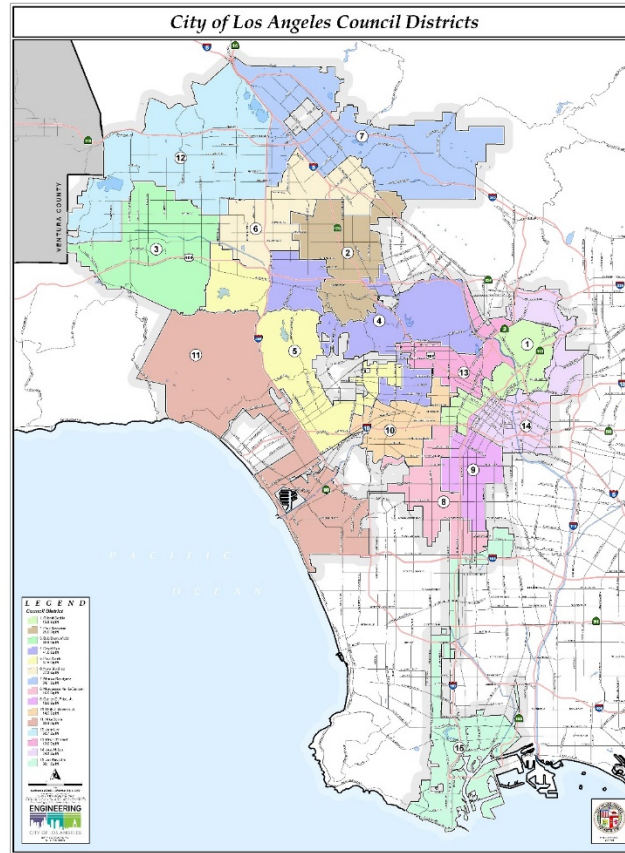
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Summary

City of Los Angeles

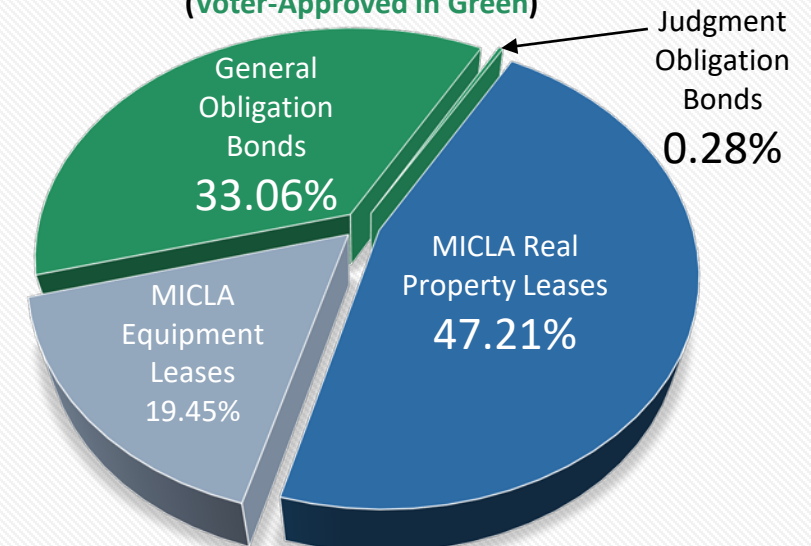
- Founded in 1781
- Second largest US City
- 2019-20 Budget of \$10.7 billion
- Approx. 48,000 full-time City employees (includes proprietary departments)
- Population of approx. 4.04 million as of May 2019
- Area of 470 square miles



Outstanding Direct Debt as of January 1, 2020

Total: \$2.21 billion

(Voter-Approved in Green)



- Wastewater System has issued six series of Green Bonds for clean water and air quality projects.
- The City has issued one series of Social Bonds for Permanent Supportive Housing.

Mayor's Decade of Action

- **L.A.'s Green New Deal accelerates the following targets:**
 - ✓ Supply 55% renewable energy by 2025; 80% by 2036; and 100% by 2045
 - ✓ Source 70% of our water locally by 2035, and capture 150,000 acre ft/yr (AFY) of stormwater by 2035
 - ✓ Reduce building energy use per square feet for all types of buildings to 22% by 2025; 34% by 2035; and 44% by 2050
 - ✓ Reduce Vehicle Miles Traveled per capita by at least 13% by 2025, 39% by 2035, and 45% by 2050
 - ✓ Ensure 57% of new housing units are built within 1,500 feet of transit by 2025; and 75% by 2035
 - ✓ Increase the percentage of zero emission vehicles in the city to 25% by 2025; 80% by 2035; and 100% by 2050
 - ✓ Create 300,000 green jobs by 2035; and 400,000 by 2050
 - ✓ Convert all city fleet vehicles to zero emission where technically feasible by 2028
 - ✓ Reduce municipal GHG emissions 55% by 2025 and 65% by 2035 from 2008 baseline levels, reaching carbon neutral by 2045
- **Some of these targets may be issued as ESG bonds**

ESG Green Bonds

Wastewater System Revenue Bonds, Series 2015-A
Wastewater System Revenue Bonds, Series 2015-C

\$188,755,000
\$100,835,000

- Both bond series financed “Green Projects” that provided environmental benefits to capital facilities within the Wastewater System.
- Of the Series 2015-A, at least \$110.085 million of orders were placed from 8 investors who were interested buyers of Green Bonds.

Wastewater System Subordinate Revenue Bonds, Series 2017-A
Wastewater System Subordinate Revenue Bonds, Refunding Series 2017-B
Wastewater System Subordinate Revenue Bonds, Refunding Series 2017-C (Taxable)

\$227,540,000
\$107,155,000
\$115,455,000

- Financed or refinanced capital projects that provided environmental benefits and/or supported the City’s broader One Water LA 2040 plan, within the Wastewater System.
- Of the Series 2017 bonds, at least \$139.9 million of investor orders took the Green Bond designation into consideration when ordering bonds. For Series 2017-A and B, \$71.2 million of orders from 9 investor orders and for Series 2017-C, \$63.7 million in orders from 5 investor orders.

Wastewater System Subordinate Revenue Bonds, Series 2018-A

\$219,700,000

- Financed “Green Projects” as part of a broad commitment to its One Water LA Plan in managing the City’s watersheds, water resources, and water facilities in an environmentally, economically and socially beneficial manner through 2040.
- Of the Series 2018-A, at least \$99.82 million of orders were placed from 9 investors who were interested buyers of Green Bonds.

ESG Social Bonds

General Obligation Bonds, Series 2018-A

\$276,240,000

- Financed “Social Projects” consistent with Proposition HHH, passed by the voters, to address the needs of persons experiencing homelessness, chronic homelessness or who are at risk of homelessness, and generally to comport with The Social Bond Principles promulgated by the International Capital Market Association (“ICMA”).
- Of the \$276.24 million in Social Bonds, the Social designation was indicated by 4 investors who placed \$55.6 million of orders, or 30.5% of all investors orders.
- The City received the 2019 Social Bond Award from Environmental Finance for these Bonds.

Revised Debt Management Policy

The Revised Debt Management Policy recommends the use of Green, Social, and Sustainability Bonds as follows:

- Any type of bond instrument where the proceeds will be exclusively applied to eligible environmental and social projects or a combination of both.
- When determining whether to designate a bond issuance or transaction with a special designation such as Green, Social, or Sustainable, the City should examine and agree to comply with reporting (i.e. impact reporting) and disclosure requirements associated with the special designation.
- Prior to issuing a bond with a special designation, the City should determine if any independent/external review will be used such as a second party opinion, verification, certification, or bond scoring/rating process. These reviews will be made publically available.
- Bonds with special designations may require additional reporting and disclosure. The City may choose to issue bonds with a special designation even when there is no additional pricing benefit based on other benefits:
 - A greater diversification of the City's investor base that may result in potential increased demand and future premium pricing.
 - An alignment with the City's broader goals on environmental and social issues.

Quick Look at Los Angeles

<http://cao.lacity.org/debt/index.htm>

City of Los Angeles
Debt Management / Investor Relations CAO

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- Investors Conference
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- Debt Programs Managed by the CAO**
1. General Obligation Bonds
 2. Los Angeles Wastewater System Revenue Bonds
 3. Solid Waste Resources Revenue Bonds
 4. Municipal Improvement Corporation of Los Angeles Lease Obligations
 5. Judgment Obligation Bonds
 6. Mello-Roos Bonds
 7. Tax and Revenue Anticipation Notes (TRAN)

- City of Los Angeles - Investor Information**
- Budget**
- City Budget
 - Financial Status Reports
- Debt**
- Notice of Potential Financing - MICLA 2019 Bonds
 - Calendar of Bond Offerings
 - Credit Ratings
 - IRMA Letter
 - QIR Swap Letter
 - Electronic Municipal Market Access (EMMA)
- Financial Disclosure**
- Preliminary Financial Report for Fiscal Year ended June 30, 2018
 - Appendix A: City of Los Angeles Information Statement, as of June 28, 2019
 - Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2019
 - Beacon Report City of Los Angeles: A Comparative Analysis June 2019

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Debt Category	Ratings (F/K/M/S&P)	Outstanding ¹
General Obligation Bonds	AA/AA+/Aa2/AA	729,520,000
Judgment Obligation Bonds	AA-/na/A1/AA	6,190,000
MICLA Lease Revenue Bonds ²	AA-/AA-/Aa3/AA-	1,471,287,602
MICLA - Commercial Paper Program	F1+/-/P-1/A-1+	254,800,000
Solid Waste Resource Revenue Bonds	AA/AA/Aa2/A+	115,805,000
Wastewater System Senior Revenue Bonds	AA+/AA+/Aa2/AA+	1,014,220,000
Wastewater System Subordinate Revenue Bonds	AA/AA/Aa3/AA	1,704,635,000

¹ As of January 1, 2020. MICLA CP includes both CP programs (General and Convention Center).
² Moody's Investors Service rates MICLA Lease Revenue Refunding Bonds, Series 2018-C (Real Property - Taxable) (Dolby Theater) at A1.

