



City of Los Angeles, California
Continuing Disclosure Filing
Rule 15c2-12(b)(5)
For the Period Ending June 30, 2022

Prepared by:
Office of the City Administrative Officer
Debt Management Group

List of Bond Issues for Which the Annual Filing Pertains:

Base CUSIP #544351 General Obligation Bonds
 Base CUSIP #54463P City of Los Angeles Solid Waste Resources Revenue Bonds
 Base CUSIP #544587 Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds
 Base CUSIP #544652 Wastewater System Revenue Bonds
 Base CUSIP #53945C Wastewater System Revenue Bonds

Base CUSIP	Dated Date	Par Amount	Name of Issue	Section	Note
544652	10/21/2010	\$177,420,000	City of Los Angeles Wastewater System Revenue Bonds, Series 2010-A (Taxable Build America Bonds)	1, 3	a
544652	10/21/2010	\$89,600,000	City of Los Angeles Wastewater System Revenue Bonds, Series 2010-B (Taxable Recovery Zone Economic Development Bonds)	1, 3	
544587	11/23/2010	\$18,170,000	Municipal Improvement Corporation of Los Angeles, Lease Revenue Bonds, Series 2010-C (Real Property) (Recovery Zone Economic Development Bonds - Taxable)	1	
544652	4/26/2012	\$157,055,000	City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2012-A	1, 3	
544652	5/30/2012	\$253,880,000	City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2012-B	1, 3	
54463P	2/26/2013	\$73,665,000	City of Los Angeles Solid Waste Resources Revenue Bonds, Series 2013-A	1, 2	
54463P	2/26/2013	\$78,780,000	City of Los Angeles Solid Waste Resources Refunding Revenue Bonds, Series 2013-B	1, 2	
53945C	5/23/2013	\$349,505,000	City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2013-A	1, 3	
53945C	6/18/2013	\$149,980,000	City of Los Angeles Wastewater System Revenue Bonds, Series 2013-A	1, 3	
53945C	6/18/2013	\$143,880,000	City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2013-B	1, 3	
54463P	4/7/2015	\$76,670,000	City of Los Angeles Solid Waste Resources Refunding Revenue Bonds, Series 2015-A	1, 2	

Base CUSIP	Dated Date	Par Amount	Name of Issue	Section	Note
53945C	6/4/2015	\$188,755,000	City of Los Angeles Wastewater System Revenue Bonds, Series 2015-A (Green Bonds)	1, 3	
53945C	6/4/2015	\$41,175,000	City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015-B	1, 3	
53945C	6/30/2015	\$21,650,000	City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2015-A	1, 3	
53945C	6/30/2015	\$100,835,000	City of Los Angeles Wastewater System Revenue Bonds, Series 2015-C (Green Bonds)	1, 3	
53945C	6/30/2015	\$108,860,000	City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015-D	1, 3	
544587	6/1/2016	\$125,235,000	Municipal Improvement Corporation of Los Angeles Lease Revenue Refunding Bonds, Series 2016-A (Capital Equipment)	1	
544587	6/1/2016	\$685,270,000	Municipal Improvement Corporation of Los Angeles Lease Revenue Refunding Bonds, Series 2016-B (Real Property)	1	
544351	12/21/2016	\$143,815,000	General Obligation Refunding Bonds Series 2016-A (Taxable)	1	
53945C	5/24/2017	\$227,540,000	City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2017-A (Green Bonds)	1, 3	
53945C	5/24/2017	\$107,155,000	City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2017-B (Green Bonds)	1, 3	
53945C	5/24/2017	\$115,455,000	City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2017-C (Taxable) (Green Bonds)	1, 3	
544351	7/13/2017	\$86,370,000	City of Los Angeles General Obligation Bonds, Series 2017-A (Taxable)	1	
544351	7/13/2017	\$81,895,000	City of Los Angeles General Obligation Refunding Bonds Series 2017-B	1	
544587	2/6/2018	\$54,430,000	Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2018-A (Capital Equipment)	1	
544587	2/6/2018	\$31,270,000	Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2018-B (Real Property)	1	

Base CUSIP	Dated Date	Par Amount	Name of Issue	Section	Note
544587	2/6/2018	\$25,630,000	Municipal Improvement Corporation of Los Angeles Lease Revenue Refunding Bonds, Series 2018-C (Real Property - Taxable)	1	
544351	7/12/2018	\$276,240,000	City of Los Angeles General Obligation Bonds Series 2018-A (Taxable) (Social Bonds)	1	
544351	7/12/2018	\$34,665,000	City of Los Angeles General Obligation Refunding Bonds Series 2018-B (Tax-Exempt)	1	
544351	7/12/2018	\$10,435,000	City of Los Angeles General Obligation Refunding Bonds Series 2018-C (Taxable)	1	
54436P	7/31/2018	\$110,530,000	City of Los Angeles Solid Waste Resources Revenue Bonds, Series 2018-A	1, 2	
53945C	11/15/2018	\$219,790,000	City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2018-A (Green Bonds)	1, 3	
53945C	11/15/2018	\$139,880,000	City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2018-B	1, 3	
544587	8/13/2020	\$84,725,000	Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2020-A (Capital Equipment)	1	
544587	8/13/2020	\$80,850,000	Municipal Improvement Corporation of Los Angeles Lease Revenue Refunding Bonds, Series 2020-B (Real Property)	1	
544587	8/13/2020	\$102,2650,000	Municipal Improvement Corporation of Los Angeles Lease Revenue Refunding Bonds, Series 2020-C (Real Property)(Federally Taxable)	1	
544587	3/4/2021	\$177,470,000	Municipal Improvement Corporation of Los Angeles Lease Revenue Refunding Bonds, Series 2021-A (Taxable)	1	
544587	3/4/2021	\$60,481,000	Municipal Improvement Corporation of Los Angeles Lease Revenue Refunding Bonds, Series 2021-B	1	
544351	11/10/2021	\$211,940,000	City of Los Angeles General Obligation Bonds (Taxable) (Social Bonds), Series 2021-A	1	

Base CUSIP	Dated Date	Par Amount	Name of Issue	Section	Note
544351	11/10/2021	\$65,490,000	City of Los Angeles, General Obligation Refunding Bonds (Tax-Exempt), Series 2021-B	1	
544587	12/15/2021	\$154,205,000	Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2021-C (Capital Equipment and Real Property)	1	
53945C	4/1/2022	\$380,570,000	City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C	1, 3	
53945C	4/19/2022	\$99,025,000	City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-A (Green Bonds)	1, 3	
53945C	4/19/2022	\$70,300,000	City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022-B (Federally Taxable)	1, 3	
Issued After 6/30/2022					
544351	09/28/2022	\$389,435,000	City of Los Angeles, California, General Obligation Bonds, Series 2022-A (Taxable) (Social Bonds)	1	

Notes:

a Defeased May 24, 2017; partial refunding: 2021-2032 maturities were defeased by Wastewater 2017-C.

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1. Appendix A
CITY OF LOS ANGELES
INFORMATION STATEMENT

Base CUSIP #544351	General Obligation Bonds
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Base CUSIP #544652	Wastewater System Revenue Bonds
Base CUSIP #53945C	Wastewater System Revenue Bonds

APPENDIX A
CITY OF LOS ANGELES
INFORMATION STATEMENT

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PART 1: FINANCIAL INFORMATION

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

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

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

OVERVIEW OF THE CITY’S FINANCIAL CONDITION

Financial Results and Budget

The City began Fiscal Year 2021-22 with General Fund Reserves (defined below) of \$647 million (up from the \$262.5 million the year before) or 8.6 percent of General Fund revenues. With the recovery of most revenue sources impacted by the COVID-19 pandemic, and the receipt of moneys pursuant to the American Rescue Plan Act’s State and Local Fiscal Recovery Funds program (“ARPA”) and other federal assistance, the City ended Fiscal Year 2021-22 with General Fund revenues exceeding its budget by \$91.6 million. As a result, the City began Fiscal Year 2022-23 with General Fund Reserves totaling \$818 million, or 11.0 percent of budgeted revenues; the Reserve Fund component of these reserves was \$601.7 million or 8.1 percent of budgeted revenues.

As of its third Financial Status Report (“FSR”) dated March 10, 2023, revenues generally exceed expectations, with the exception of the documentary transfer tax and parking fines. In addition, the City has identified \$129 million in projected expenditures above budget, some of which will require appropriations from reserves while others will be absorbed within existing departmental budgets. Rising interest rates expose revenues to the risk of recession, while lingering inflation, despite temporarily lifting some revenue sources, may dampen overall economic activity and concurrently increase costs. As of the third FSR and assuming the actions recommended therein are adopted, the Reserve Fund balance would be \$498.5 million (6.2 percent of revenues). A second reserve for Mid-Year Adjustments, originally funded at \$24.4 million, would be depleted and additional transfers from the Reserve Fund are identified. See “BUDGET AND FINANCIAL OPERATIONS—Interim Financial Status.”

Certain Significant Challenges

Homelessness. The City faces challenges in connection with its large homeless population. Voters approved Measure H, increasing County-wide sales taxes by ¼ percent to fund services to the homeless population. Voters also approved Proposition HHH, authorizing \$1.2 billion in City general obligation bonds to finance low income and supportive housing, of which \$86,370,000 was issued in 2017, \$276,240,000 was issued in 2018, \$211,940,000 was issued in 2021, and \$389,435,000 was issued in 2022. However, the Measure H and Proposition HHH funding is still inadequate to meet the needs of this population.

The 2022-23 Adopted Budget anticipates \$1.2 billion in spending to combat homelessness. This includes \$249 million in General Fund spending, comprised of \$199 million in new funding and \$49 million from spending down a Reserve Fund loan approved in Fiscal Year 2021-22. It also includes \$918 million in spending from various special funds, including federal and State grants, the City's Proposition HHH general obligation bonds, and new budget appropriations from various City special funds.

The City was subject to a lawsuit (*LA Alliance for Human Rights et al. v. City of Los Angeles et al.*) for violating various State and federal laws in connection with the City's and County's alleged failures in responding to homelessness. On June 14, 2022, a proposed settlement between the City and the plaintiffs was approved by the court. The proposed settlement, if upheld, would increase the City's financial obligations beyond the amount already allocated in the Fiscal Year 2022-23 Budget. However, on July 13, 2022, the homeless rights advocates who intervened in the case filed a notice of appeal, indicating they intend to ask the Ninth Circuit Court of Appeals to invalidate the settlement agreement and overturn the court's order dismissing the City, which, if successful, would reinstate the litigation against the City. See "LITIGATION—*LA Alliance for Human Rights et al. v. City of Los Angeles et al.*"

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

On December 21, 2022, Howard Jarvis Taxpayers Association and Apartment Association of Greater Los Angeles filed, in Los Angeles County Superior Court, a reverse validation action to invalidate the ULA special tax (*Howard Jarvis Taxpayers Assn. et al. v. City of Los Angeles et al.*) ("Jarvis Action") pursuant to California Code of Civil Procedure section 860 et seq. On January 6, 2023, Newcastle Courtyards, LLC and Jonathan Benabou (collectively "Newcastle") also filed a reverse validation action in Los Angeles County Superior Court (*Newcastle Courtyards, LLC et al. v. City of Los Angeles et al.*) pursuant to California Code of Civil Procedure section 860 et seq. Newcastle filed an additional complaint in the United States District Court for the Central District of California to challenge the validity of ULA and the ULA special tax (collectively "Newcastle Actions"). The Jarvis Action seeks to enjoin the ULA special tax by alleging that the enactment of the ULA special tax violates Section 450 of the City Charter and Section 4 of Article XIII A of the California Constitution. The Newcastle Actions, similarly, seek to enjoin the ULA special tax based on allegations that it violates Section 4 of Article XIII A of the California Constitution and would infringe various taxpayer protections and rights granted under the U.S. Constitution and California Constitution. The City is defending ULA and its interests in these matters. Due to the preliminary nature of the matters, the City cannot provide any assurances that ULA and the ULA special tax will ultimately be upheld in court.

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

Americans With Disabilities Act ("ADA") and other federal accessibility laws. The City has dealt with a number of claims and lawsuits pertaining to compliance with federal accessibility laws, several of which have involved housing projects as described under "LITIGATION." One of these matters involves litigation with the U.S. Department of Justice ("DOJ") over the City's alleged violation of the False Claims Act in

connection with certain federal accessibility law compliance certifications. If the DOJ is successful, the City could face potential exposure to treble damages, which, based on certain private parties' original complaint, was estimated to be \$3 billion. Due to the preliminary nature of the matter, an estimable liability amount is difficult to ascertain at this time.

Another area of potential financial impact involves the City's Pavement Preservation Program for street repairs. Certain of the activities under this program, such as street resurfacing and reconstruction, trigger the application of current ADA provisions, which requires the updating of existing access ramps or the construction of new ramps where there are none. Very preliminary estimates for the cost of such work range between \$100 million and \$250 million a year, with a total cost of up to \$1 billion over six years, which is not yet reflected in the City's budget. These potential expenditures are in addition to those required by the settlement of previous litigation, *Willits, et al. v. City of Los Angeles*, under which the City will incur approximately \$1.4 billion over 30 years for various sidewalk remediation projects. Funding for the *Willits* settlement is included within the City's budget. See "BUDGET AND FINANCIAL OPERATIONS—Capital Program."

Clean Water Compliance. On July 23, 2021, the Los Angeles Regional Water Quality Control Board ("LARWQCB") adopted the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit ("MS4 Permit"). Eighty-four of the 88 cities in Los Angeles County (including the City), the Los Angeles County Flood Control District (LACFCD), and the Counties of Los Angeles and Ventura are covered by the MS4 permit, which requires the collective expenditure of tens of billions of dollars by the impacted municipalities through 2037. The City's share of the costs is currently estimated to be approximately \$8 billion. While a portion of these cost will be funded through a county-wide parcel tax, like many other impacted municipalities, the City has not identified funding sources for a significant portion of these costs. See "OTHER MATTERS – Clean Water Compliance."

MUNICIPAL GOVERNMENT

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

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

The City is governed by the Mayor and the Council. The Mayor is elected at-large for a four-year term. As executive officer of the City, the Mayor has the overall responsibility for administration of the City. The Mayor recommends and submits the annual budget to the Council and passes upon subsequent appropriations and transfers, approves or vetoes ordinances, and appoints certain City officials and commissioners. The Mayor supervises the administrative process of local government and works with the Council in matters relating to legislation, budget, and finance. The Mayor operates an executive department, of which the Mayor is the ex-officio head. The current Mayor, Karen Bass, was elected to the office at the November 8, 2022 general election and assumed office on December 12, 2022.

The Council, the legislative body of the City, is a full-time council. The Council enacts ordinances subject to the approval of the Mayor and may override the veto of the Mayor by a two-thirds vote. The Council orders elections, levies taxes, approves utility rates, authorizes public improvements, approves contracts, adopts

zoning and other land use controls, and adopts traffic regulations. The Council adopts or modifies the budget proposed by the Mayor. The Council consists of 15 members elected by district for staggered four-year terms.

On October 13, 2021, Mark Ridley-Thomas, then a member of the City Council, was indicted on federal charges of conspiracy, bribery, mail fraud and wire fraud relating to alleged actions taken while he served on the Board of Supervisors of the County. On October 20, 2021, the Council voted to suspend Mr. Ridley-Thomas from office in light of the charges. On March 30, 2023, Mr. Ridley-Thomas was convicted of seven felony charges, which resulted in his office becoming vacant in accordance with the City Charter. To fill the vacant office, Heather Hutt, who has been filling the District 10 council seat by appointment (at times in a non-voting caretaker capacity) since July 20, 2022, was appointed by the City Council as the District 10 councilmember for the remainder of the unexpired term on April 11, 2023.

The other two elective offices of the City are the Controller and the City Attorney, both elected for four-year terms. The Controller is the chief accounting officer for the City. The current Controller, Kenneth Mejia, assumed office on December 12, 2022.

The City Attorney is attorney and legal advisor to the City and to all City boards, departments, officers, and entities, and prosecutes misdemeanors and violations of the Charter and City ordinances. The current City Attorney, Hydee Feldstein Soto, assumed office on December 12, 2022.

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

The City Administrative Officer (“CAO”) is the chief fiscal advisor to the Mayor and Council and reports directly to both. The CAO is appointed by the Mayor, subject to Council confirmation.

The Office of Finance (“Finance”) serves as the custodian of all funds deposited in the City Treasury and all securities purchased by the City. Finance actively manages the investment of the City’s general and special pool investment portfolios and cash programs.

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

BUDGET AND FINANCIAL OPERATIONS

Financial Reporting and Fiscal Year 2021-22 Results

The City prepares its financial statements in accordance with Generally Accepted Accounting Principles (“GAAP”) as promulgated by the Government Accounting Standards Board (“GASB”). The Financial Statements include a consolidated statement of governmental activities, which accounts for all functions of the City that are principally supported by taxes and other revenues not intended to recover costs through user fees and charges. GAAP requires the inclusion of both pension and retiree health liabilities in the government-wide Statement of Net Position. The City’s Annual Comprehensive Financial Report (the “ACFR”) for the Fiscal Year Ended June 30, 2022 reported a deficit balance for the governmental activities’ unrestricted net position of \$5.240 billion, largely due to a net long-term pension liability of \$3.650 billion and net liability of \$0.907 billion for Other Post-Employment Benefits such as health care (“OPEB”).

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

Fiscal Year 2021-22 represented a significant reversal from the COVID-driven revenue pressures of the prior two years, with ARPA funds accounting for an additional \$639.5 million in revenues available for eligible General Fund expenditures. In addition, most City revenues returned to pre-pandemic levels.

The following two tables summarize financial information for the General Fund contained in the City's audited Basic Financial Statements presented in the ACFR and prepared in accordance with GAAP for the periods indicated.

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

	2018	2019	2020	2021	2022
Assets					
Cash and Pooled Investments ⁽¹⁾	\$ 1,058,705	\$ 1,291,607	\$ 1,433,584	\$ 1,856,003	\$ 1,992,342
Other Investments	-	-	451	762	727
Taxes Receivable	669,205	675,777	682,470	782,303	1,116,337
Accounts Receivable	107,631	109,123	127,181	139,628	147,123
Special Assessments Receivable	3,040	3,174	2,863	3,550	4,459
Investment Income Receivable	12,985	15,680	10,014	7,812	10,463
Intergovernmental Receivable	143,773	149,002	152,247	193,305	284,965
Leases Receivable	-	-	-	-	1,977
Loans Receivable	-	-	42	1,331	1,382
Due from Other Funds	115,287	84,183	196,394	104,675	111,970
Inventories	33,004	46,653	42,053	39,760	39,228
Prepaid Items and Other Assets	5	7	11	34	408
Advances to Other Funds	8,814	8,688	20,831	21,374	26,859
Total Assets	\$ 2,152,449	\$ 2,383,894	\$ 2,668,141	\$ 3,150,537	\$ 3,738,240
Liabilities:					
Accounts, Contracts and Retainage Payable	\$ 83,488	\$ 93,312	\$ 254,392 ⁽⁵⁾	\$ 272,990	\$ 286,482
Obligations Under Securities Lending Transactions	33,339	21,874	13,799	19,333	39,182
Accrued Salaries and Overtime Payable	203,015	221,902	252,022	120,242	181,678
Accrued Compensated Absences Payable	9,254	8,381	7,912	11,529	5,385
Estimated Claims and Judgments Payable	69,831	66,284	35,741	37,511	42,358
Intergovernmental Payable	493	56	1,010	882	953
Due to Other Funds	133,283	141,905	188,702	174,796 ⁽⁶⁾	102,491 ⁽⁶⁾
Unearned Revenue	972	1,535	-	322,085 ⁽⁷⁾	302,455 ⁽⁷⁾
Deposits and Advances	9,094	12,974	9,184	11,901	21,739
Advances from Other Funds	18,391	12,499	131,093	81,148	56,130
Other Liabilities	45,737	37,248	53,177	89,104	66,079
Total Liabilities	\$ 606,897	\$ 617,970	\$ 947,032	\$ 1,141,521	\$ 1,104,932
Deferred Inflows of Resources					
Real Estate Tax	\$ 62,674	\$ 68,813	\$ 88,615	\$ 88,635	\$ 86,101
Taxes Other than Real Estate	344,215	377,206	398,251	431,719	699,740
Receivables from Other Government Agencies	125,663	131,890	129,309	142,325	135,673
Interest Receivable on Loans and Others	83,785	81,974	112,805	122,360	212,092
Leases	-	-	-	-	1,918
Total Deferred Inflows of Resources	\$ 616,337	\$ 659,883	\$ 728,980	\$ 785,039	\$ 1,135,614
Fund Balances					
Nonspendable ⁽²⁾	\$ 41,823	\$ 55,348	\$ 62,895	\$ 61,168	\$ 66,495
Restricted	-	-	-	-	-
Committed	25,151	33,092	37,386	71,733	85,078
Assigned ⁽³⁾	289,080	334,195	356,167	426,654	724,278
Unassigned ⁽⁴⁾	573,161	683,406	535,681	664,422	621,843
Total Fund Balances	\$ 929,215	\$ 1,106,041	\$ 992,129	\$ 1,223,977	\$ 1,497,694
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,152,449	\$ 2,383,894	\$ 2,668,141	\$ 3,150,537	\$ 3,738,240

⁽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 BSF (defined below).

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

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

⁽⁷⁾ Represents unspent cash balances of ARPA receipts.

Source: City of Los Angeles, ACFRs.

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

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

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

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

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

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

⁽⁵⁾ In compliance with implementation guidelines for GASB Statement 84, certain activities were re-categorized from a Fiduciary Fund type to the appropriate governmental funds, including the General Fund as reported above.

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

Source: City of Los Angeles, ACFRs.

City's Budgetary Process

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

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

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

Fiscal Year 2022-23 Adopted Budget

Total budgeted General Fund revenues for Fiscal Year 2022-23 are \$7.45 billion, which represents a decrease of 2.2 percent from the revised actual revenue estimates for Fiscal Year 2021-22. This decrease is driven by the cessation of ARPA relief. After netting one-time revenues such as federal and State COVID-19 related funding, total General Fund revenues in the Fiscal Year 2022-23 Adopted Budget are 9.1 percent higher than the original Fiscal Year 2021-22 Adopted Budget, an increase of 6.7 percent above the revised actual revenue estimates. The Fiscal Year 2022-23 Adopted Budget includes significant investments to combat homelessness and improve public safety, while maintaining the City's long-term fiscal health by maintaining reserves.

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

The following table presents the 2022-23 Adopted Budget and the Adopted Budgets for the preceding Fiscal Years. The table does not reflect changes made to the budgets subsequent to their original adoption, which for Fiscal Years 2019-20 and 2020-21 in particular were substantial due to pandemic-related revenue shortfalls and the availability of federal relief funds.

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

With respect to both the historical budgetary information and the projected budgetary information set forth below and elsewhere in this Appendix A, it is not possible to predict whether the trends set forth in the tables will continue in the future.

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

	2018-19	2019-20	2020-21	2021-22	2022-23
General Fund Revenues					
Property Taxes ⁽¹⁾	\$ 1,961,509,000	\$ 2,115,611,000	\$ 2,297,080,000	\$ 2,400,250,000	\$ 2,535,005,000
Property Tax – Ex-CRA Tax Increment	97,252,000	100,386,000	95,900,000	111,990,000	153,800,000
Other Taxes ⁽²⁾	2,449,948,000	2,564,605,000	2,424,603,000	2,442,702,000	2,783,590,000
Licenses, Permits, Fees and Fines ⁽³⁾	1,350,888,130	1,432,853,292	1,560,189,689	1,466,009,998	1,526,675,386
Intergovernmental ⁽⁴⁾	238,000,000	235,600,000	224,100,000	225,819,000	229,721,000
Other General Fund ⁽⁵⁾	60,861,940	83,994,246	50,856,187	835,848,794	180,646,799
Interest	32,137,000	36,700,000	34,613,000	20,603,000	36,610,000
Total General Fund Revenue	\$ 6,190,596,070	\$ 6,569,749,538	\$ 6,687,341,876	\$ 7,503,222,792	\$ 7,446,048,185
General Fund Appropriations					
Fire Department	\$ 662,270,767	\$ 682,509,340	\$ 723,143,241	\$ 737,168,351	\$ 771,870,860
Police Department	1,551,479,094	1,676,632,617	1,796,387,613	1,702,988,343	1,803,434,641
Other Budgetary Departments	867,370,474	971,170,179	886,359,305	1,042,389,720	1,097,320,359
Tax and Revenue Anticipation Notes ⁽⁶⁾	1,208,676,507	1,302,296,587	1,323,536,029	1,333,686,071	1,336,147,626
Capital Finance Administration ⁽⁷⁾	221,353,665	223,750,313	211,750,313	224,436,534	228,856,646
Human Resources Benefits	730,656,927	743,564,377	800,593,969	774,377,710	805,331,098
Other General Fund Appropriations	948,788,636	969,826,125	945,571,406	1,688,176,063	1,403,086,955
Total General Fund Appropriations	\$ 6,190,596,070	\$ 6,569,749,538	\$ 6,687,341,876	\$ 7,503,222,792	\$ 7,446,048,185

⁽¹⁾ Property taxes include all categories of the City allocation of 1% property tax collections such as secured, unsecured, State replacement, redemptions and penalties, supplemental receipts and other adjustments and is net of refunds and County charges. Also included are property taxes remitted to the City as replacement revenue for both State Vehicle License Fees and sales and use taxes.

⁽²⁾ Other taxes include utility users tax, business tax, sales tax, transient occupancy tax, documentary transfer tax, parking occupancy tax, and residential development tax. See "MAJOR GENERAL FUND REVENUE SOURCES" for a discussion of these taxes.

⁽³⁾ This item has been renamed "Departmental Receipts" beginning with the Fiscal Year 2020-21 Budget. Also includes State Vehicle License Fees, parking fines and franchise income, which are described under "MAJOR GENERAL FUND REVENUE SOURCES."

⁽⁴⁾ Intergovernmental revenues include proprietary departments' transfers.

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

⁽⁶⁾ A significant portion of the City's TRAN proceeds are used to pay the annual contribution to LACERS and LAFPP. The budget line item for TRAN repayment is primarily for principal for this portion of the program and is made in lieu of direct appropriations for contributions to the two retirement systems. See "RETIREMENT AND PENSION SYSTEMS." Interest due on the TRAN is also included in this line item.

⁽⁷⁾ This fund is used to make lease payments on various lease revenue bonds, privately placed leases and commercial paper notes.

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

Interim Financial Status

On March 10, 2023, the City Administrative Officer released the third FSR for Fiscal Year 2022-23. General Fund revenues through the first half of the fiscal year were reported to be \$32.5 million above budgeted expectations, largely driven by above-plan receipts for property, utility users, business, transient occupancy and parking occupancy taxes, departmental receipts, and franchise income. The adopted revenue budget for property tax assumed 6.0 percent growth in assessed valuations, which the County Assessor has since revised to 7.0 percent for the City. Presumably as a result of higher interest rates, documentary transfer tax is underperforming

the budget, \$48 million below plan through January and expected to be close to \$60 million below plan once February receipts are finalized.

The third FSR projected \$129.1 million in expenditures above available appropriations in the current year. Among the major drivers of these increased expenditures are the need to reimburse the Sewer Construction Maintenance Fund for an over-allocation from that fund (\$33.7 million), repayment of an interfund loan to finance Project Roomkey expenditures for temporary housing (\$25.55 million), and increased fuel and utilities costs by the General Services Department (\$21.33 million). While the City expects that budget savings will allow most departments to address overspending, including costs associated with various labor agreements, the report recommends \$58.6 million in transfers and appropriations to partially address the projected budget gap and identifies \$70.6 million in potential future actions to address the projected remaining budget gap. These actions include transfers from various City reserves. See “BUDGET AND FINANCIAL OPERATIONS—Budgetary Reserves and Contingencies.”

Budgetary Reserves and Contingencies

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

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

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

After falling short of this goal for the first time in seven years in Fiscal Year 2020-21 due to the revenue impacts of the COVID-19 pandemic, the combination of ARPA receipts (which were used as revenue replacement to fund general government services) and the general recovery of City revenues to pre-pandemic levels facilitated the growth of budgetary reserves in Fiscal Year 2021-22, and the City exceeded this goal in the Adopted Fiscal Year 2022-23 Budget.

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

In addition, the City maintains a number of other funds that can be used to finance contingencies as they arise, the most important of which are the Budget Stabilization Fund (the “BSF”) and the Unappropriated

Balance (the “UB”) line item for mid-year adjustments. Taken together, the Reserve Fund, the BSF, and the UB line item for mid-year adjustments comprise what the City considers to be its “General Fund Reserves.”

Pursuant to the ordinance that regulates the BSF, as part of the annual budget process, a portion of the economically sensitive revenues projected to be above the historical average must be deposited into the BSF, which can then be used to help fund future expenditures when revenue is stagnant or is in decline. The economically sensitive revenues consist of seven General Fund tax revenue sources: property, utility users, business, sales, transient occupancy, documentary transfer, and parking occupancy taxes. For purposes of the 2022-23 Adopted Budget, the growth rate used to determine BSF contributions was calculated to be 3.6 percent, based on the 20-year historical average of these tax revenues.

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

The UB was created by the Charter, which requires that an amount be included in the budget to be available for appropriations later in the fiscal year to meet contingencies as they arise. The amount and types of items identified in the UB vary each year depending on the specific challenges, the risks identified, and programs that have been approved but for which an appropriation for expenditure is premature. The 2022-23 Adopted Budget includes allocations of \$24.3 million as a Reserve for Mid-Year Adjustments (considered part of the City’s General Fund Reserves), \$20.0 million as a Reserve for Extraordinary Liability, and \$79.3 million reserve as a contingency for anticipated reimbursements from the Federal Emergency Management Agency (“FEMA”), which could be delayed. If these reimbursements from FEMA are paid during the 2022-23 fiscal year, these funds would increase the Reserve Fund balance. As in all years, the UB contains allocations for a number of other potential expenditures, including \$93 million for “Department Payroll Reconciliation,” to finance payments to employees as a result of reopeners of COVID-related concessions in labor contracts.

The City adopted a revision to its Financial Policies in January 2020 to add the stated goal of maintaining the cumulative value of its General Fund Reserves at an amount equal to at least 10 percent of all General Fund revenues anticipated for that fiscal year in the Adopted Budget. Based on the Reserve Fund balance as of July 1, 2022, the City began Fiscal Year 2022-23 with budgetary General Fund Reserves totaling 11.0 percent of budgeted General Fund revenues.

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

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

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Adopted Budget										
Emergency Reserve	\$ 133.8	\$ 141.3	\$ 148.8	\$ 153.4	\$ 160.2	\$ 170.2	\$ 180.7	\$ 183.9	\$ 206.4	\$ 204.8
Contingency	<u>127.3</u>	<u>142.8</u>	<u>164.6</u>	<u>181.5</u>	<u>138.1</u>	<u>180.7</u>	<u>229.7</u>	<u>59.4</u>	<u>303.5</u>	<u>272.7</u>
	\$ 261.1	\$ 284.1	\$ 313.4	\$ 334.9	\$ 298.3	\$ 350.9	\$ 410.4	\$ 243.3	\$ 509.9	\$ 477.5
Total Budgeted General Fund Revenues	\$4,866.9	\$5,138.3	\$5,410.4	\$5,576.4	\$ 5,826.5	\$ 6,190.6	\$6,569.7	\$ 6,687.3	\$ 7,503.2	\$ 7,446.0
Reserve Fund Balance as % of Budgeted General Fund Revenues	5.37%	5.53%	5.79%	6.01%	5.12%	5.67%	6.25%	3.64%	6.80%	6.41%
Budget Stabilization Fund (BSF)										
Reserves for Mid-Year in UB	\$ 61.5	\$ 64.4	\$ 91.5	\$ 92.4	\$ 95.1	\$ 107.3	\$ 113.9	\$ 116.6	\$ 118.0	\$ 192.1
Total General Fund Budget Reserves	<u>21.0</u>	<u>20.7</u>	<u>17.0</u>	<u>15.0</u>	<u>20.0</u>	<u>20.3</u>	<u>35.0</u>	<u>30.1</u>	<u>14.9</u>	<u>24.3</u>
% of Budgeted General Fund Revenues	7.06%	7.19%	7.80%	7.93%	7.09%	7.73%	8.51%	5.83%	8.57%	9.32%
Actual										
Emergency Reserve	\$ 133.8	\$ 141.3	\$ 148.8	\$ 153.3	\$ 160.2	\$ 170.2	\$ 180.7	\$ 183.9	\$ 206.3	\$ 204.8
Contingency	<u>192.9</u>	<u>241.7</u>	<u>293.8</u>	<u>180.9</u>	<u>194.3</u>	<u>175.6</u>	<u>226.5</u>	<u>78.6</u>	<u>440.7</u>	<u>396.9</u>
	\$ 326.7	\$ 383.0	\$ 442.6	\$ 334.2	\$ 354.5	\$ 345.8	\$ 407.2	\$ 262.5	\$ 647.0	\$ 601.7
Reserve Fund Balance as % of Budgeted General Fund Revenues	6.71%	7.45%	8.18%	5.99%	6.08%	5.59%	6.20%	3.93%	8.62%	8.08%

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

Various actions during Fiscal Year 2022-23 have reduced the City's reserves. After the various transfers recommended in the third FSR, the Reserve Fund balance will be \$498.5 million or 6.7 percent of 2022-23 General Fund revenue. The various actions recommended and anticipated in that report will exhaust the Unappropriated Balance, Reserve for Mid-Year Adjustments account. An additional Reserve Fund transfer of \$33.7 million to reimburse the Sewer Construction and Maintenance Fund for prior year over-allocation of related costs would result in a further reduction in General Fund Reserves.

Financial Management Policies

The City has adopted a number of Financial Policies. Several of these policies relate to the City's Reserve Fund and BSF. See "Budgetary Reserves and Contingencies" above for a description of these Financial Policies.

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

The Financial Policies provide for the City to annually budget 1.5 percent of General Fund revenues to fund capital and technology infrastructure improvements. The 2022-23 Adopted Budget complies with this policy by providing \$122.6 million in General Fund capital and technology spending, equivalent to 1.6 percent of General Fund revenues.

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

Risk Management and Retention Program

Because of its size and its financial capacity, the City has long followed the practice of directly assuming most insurable risks without procuring commercial insurance policies. The extent and variety of City exposure is such that the cost of the premiums outweighs the benefits of such coverage. The City administers, adjusts, settles, defends and pays claims from budgeted resources. The City is self-insured for workers' compensation as permitted under State law. The City procures commercial insurance when required by bond or lease financing covenants and for other limited purposes.

Funds are budgeted annually to provide for claims and other liabilities based both on the City's historical record of payments and an evaluation of known or anticipated claims. From time to time, the City has issued judgment obligation bonds to finance larger judgments or settlements, as it did in Fiscal Years 2008-09 and 2009-10.

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

Table 5
LIABILITY CLAIMS PAID⁽¹⁾
(\$ in millions)

<i>Fiscal Year</i>	<i>Total Amount Budgeted</i>			<i>Total Claims Paid</i>	
	<i>General Fund⁽²⁾</i>	<i>Special Funds</i>	<i>Unappropriated Balance</i>	<i>Total</i>	<i>All Council-Controlled Funds</i>
2018-19	\$80.0	\$9.1	\$20.0	\$109.1	\$103.3
2019-20	80.0	10.5	20.0	110.5	126.9
2020-21	80.0	7.9	-	87.9	87.3
2021-22	80.0	7.4	23.9	111.3	111.3
2022-23 Adopted Budget	80.0	7.4	20.0	107.4	N/A

⁽¹⁾ Cash basis. Does not include Workers' Compensation claims paid by the City; see Table 6. Also, does not include claims paid in connection with Fair Labor Standards Act disputes and other labor matters, which are paid out of departmental operating budgets.

⁽²⁾ Excludes appropriation in the UB as a "Reserve for Extraordinary Liabilities."

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

The City's ACFR provides estimates of potential liabilities. Under GAAP, the City is required to accrue liabilities arising from claims, litigation and judgments when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The City's ACFR discloses and takes into account estimates of such potential liabilities. As reported in the City's ACFR (Note 4 (N): Risk Management—Estimated Claims and Judgments Payable), the City, as of June 30, 2022, estimated the amount of tort and non-tort liabilities that were "probable" of occurring at approximately \$708.9 million. In addition, and as reported in the City's ACFR, the City Attorney, as of June 30, 2022, estimated that certain other pending lawsuits and claims have a "reasonable possibility" of resulting in additional liability totaling \$63.0 million. See "LITIGATION" for a discussion of certain recently completed, pending or threatened litigation matters involving the City.

Also as of June 30, 2022, the City estimated its workers' compensation liability at \$2.0 billion; see Table 6 for recent and budgeted expenditures for this liability.

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

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

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

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

Table 6
HUMAN RESOURCES BENEFITS⁽¹⁾
(\$ in thousands)

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

⁽¹⁾ Cash basis.

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

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

Labor Relations

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

There are 45 individual MOUs, affecting about 34,800 full-time and 7,800 part-time City employees (including employees of the Airport and Harbor departments, but excluding DWP employees) that are represented by 22 labor unions/employee associations. The remaining approximately 800 full-time and 900 part-time employees are not represented. See “RETIREMENT AND PENSION SYSTEMS.”

To address the projected budget gap in Fiscal Year 2020-21 occasioned by the COVID-19 pandemic, the City renegotiated terms of MOUs with the majority of its labor organizations whose salaries most significantly impacted the City’s General Fund. The renegotiated terms focused primarily on deferring previously scheduled wage increases. Following the receipt of federal COVID-19 funding, the MOUs were reopened. The Fiscal Year 2022-23 budget allocated \$93 million in the UB in connection with such

renegotiations, although most of the current fiscal year costs are expected to be absorbed out of existing departmental budgets.

For a number of years, the City has accumulated liability for banked Police Department (“LAPD”) uncompensated overtime, valued at approximately \$138.9 million as of February 25, 2023. Those hours that are not used as leave become more expensive over time due to promotions and other salary increases of applicable LAPD personnel. The recent agreement reached by the City and the union representing police officers, which deferred certain salary increases, may reduce the need to bank overtime hours in lieu of payment, as the agreement will require the City to pay a minimum of \$70 million in cash overtime to police officers in each of the following three fiscal years: 2021-22, 2022-23, and 2023-24.

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

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

<i>Organization</i>	<i>Employees Represented⁽¹⁾</i>	<i>Number of Bargaining Units</i>	<i>Status of Memorandum of Understanding</i>	<i>Base Wage Adjustments⁽³⁾</i>
Los Angeles Police Protective League ⁽²⁾	9,964	1	Contract expires 6/30/23	4.5% effective 9/1/19 1.5% effective 7/5/20 3.25% effective 1/17/21 3% effective 1/1/23 ⁽⁴⁾ 1.5% effective 1/1/23 ⁽⁴⁾
United Firefighters of Los Angeles City	3,282	1	Contract expires 6/29/24	2% effective 7/7/19 4.75% effective 7/5/20 4.5% effective 1/1/23 3% effective 1/14/24 ⁽⁵⁾
Coalition of LA City Unions	24,579	21	Contracts expire 12/30/23	3.0% effective 1/1/23 5% cash payment 7/26/23
Engineers and Architects Association	5,479	4	Contracts expire 12/31/23	2.75% effective 1/19/20 2% effective 6/19/22 2% effective 1/29/23 1.5% effective 6/18/23 3% effective 7/2/23 ⁽⁵⁾
Municipal Construction Inspectors Association	880	1	Contract expires 12/30/23	2% effective 1/19/20 2.75% effective 7/5/20 2% effective 7/3/22 2% effective 1/29/23 3% effective 7/2/23 ⁽⁵⁾

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

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

⁽³⁾ Adjustments for the term covered by the specific MOU.

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

⁽⁵⁾ Increase resulting from the salary reopener discussions that concluded in late May 2022.

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

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

Table 8
AUTHORIZED CITY STAFFING⁽¹⁾

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

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

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

City Treasury Investment Practices and Policies

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

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

Table 9
POOLED INVESTMENTS
Portfolio Characteristics
as of January 31, 2023

<i>Portfolio Funds</i>	<i>Amount of Funds at Market Value</i>	<i>Percent of Investment Pool</i>	<i>Effective Yield</i>	<i>Average Weighted Maturity</i>
Core Portfolio	\$ 4,934,007,771	34.5%	3.73%	114 Days
Reserve Portfolio	6,748,569,753	47.3	1.96	2.9 Years
Extended Reserve Portfolio	<u>2,596,788,397</u>	<u>18.2</u>	<u>1.87</u>	<u>6.9 Years</u>
Total Investment Pool	\$ 14,279,365,920	100.0%	2.55%	2.7 Years

Source: City of Los Angeles, City Treasurer.

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

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

<i>Description</i>	<i>Par Value</i>	<i>Market Value</i>	<i>Percent of Total Funds (Market Value)</i>	<i>Average Days</i>
Bank Deposits ⁽¹⁾	\$ 81,606,609	\$ 81,606,609	0.57%	0
Money Market Funds	30,045,484	30,045,484	0.21	0
LAIF (State of California)	<u>4,055,172</u>	<u>4,055,172</u>	<u>0.03</u>	<u>0</u>
Subtotal: Cash and Overnight Investments	\$ 115,707,266	\$ 115,707,266	0.81%	0
Commercial Paper	\$ 1,613,133,000	\$ 1,599,253,697	11.20%	67
Negotiable Certificates of Deposit	202,000,000	201,617,650	1.41	77
Corporate Notes	252,500,000	249,146,275	1.74	185
U.S. Agencies/Munis/Supras	1,283,907,000	1,273,280,033	8.92	76
U.S. Treasuries	<u>1,515,000,000</u>	<u>1,495,002,850</u>	<u>10.47</u>	<u>200</u>
Subtotal: Pooled Investments	\$ 4,866,540,000	\$ 4,818,300,505	33.74%	117
Total Short-Term Core Portfolio	\$ 4,982,247,266	\$ 4,934,007,771	34.55%	114
Money Market Funds	\$ 520,360	\$ 520,360	0.00%	0
Commercial Paper	0	0	0.00	0
Negotiable Certificates of Deposit	0	0	0.00	0
Corporate Notes	1,508,500,000	1,442,197,569	10.10	990
Asset-Backed Securities	337,185,374	327,181,054	2.29	1,326
U.S. Agencies/Munis/Supras	603,700,000	558,232,557	3.91	1,320
U.S. Treasuries	<u>7,550,000,000</u>	<u>7,017,226,610</u>	<u>49.14</u>	<u>1,568</u>
Total Long-Term Reserve Portfolios	\$ 9,999,905,734	\$ 9,345,358,150	65.45%	1,455
Total Cash and Pooled Investments	\$14,982,153,000	\$14,279,365,920	100.00%	992

⁽¹⁾ Collected balance for Wells Fargo Active Accounts.

Source: City of Los Angeles, City Treasurer.

The City's treasury operations are managed in compliance with the California Government Code and according to the City's Statement of Investment Policy (the "Investment Policy"), which sets forth liquidity parameters, maximum maturities and permitted investment vehicles, which include U.S. Treasuries, U.S. Government Agencies and Corporate Notes. Additionally, daily investment activity is reviewed independently

by an outside investment advisor to ensure that all security transactions are in accordance with all policies as delineated above.

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

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

Capital Program

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

Consistent with the Capital Policy, on August 31, 2022, the CAO released an updated Five-Year Capital and Technology Improvement Program ("CTIP"). The CTIP is divided into three major improvement types: municipal facilities, physical plant and technology. The municipal facilities components include administrative buildings and other facilities; public safety facilities for the animal services, fire and police departments; recreational and cultural facilities; the Convention Center; and various seismic, yard, shop, and bridge improvements. Physical plant components include wastewater (referred to as clean water), stormwater (referred to as watershed management), streets and other public rights-of-way, street lighting, and transportation projects. Technology components include city-wide infrastructure, major projects, and system replacements costing \$1 million or more. The CTIP does not include projects that are funded and are under the control of the three proprietary departments, or projects related to housing and homelessness.

The CTIP also identifies sources of funding for these projects, indicating whether the projects are going to be financed by the General Fund, MICLEA Lease Revenue Bonds (the debt service for which is usually paid from General Fund appropriations) or by one or more special funds. The CTIP includes the approved funding for Fiscal Year 2022-23 and anticipated funding amounts for Fiscal Years 2023-24 through 2026-27, which will be considered for appropriation through the City's budget and appropriation processes in the future.

In accordance with the Capital Policy, projects are funded based on five prioritization criteria: Risk to Health and Safety; Compliance with Legal, Regulatory, or other policy Mandated Requirements; Resilience and Sustainability; Impact to City Operations, Asset Condition, Annual Recurring Costs and Asset Longevity; and Equitable Community Investment and Economic Considerations. See also "OTHER MATTERS—Environmental and Social Considerations.

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

Table 11
CAPITAL AND TECHNOLOGY IMPROVEMENT PLAN
BY ASSET CATEGORIES

	2022-23	2023-24	2024-25	2025-26	2026-27	Future Years	Total
Municipal Facilities							
Deferred Maintenance	\$ 22,118,330	\$ 22,551,670	\$ 22,500,000	\$ 22,500,000	\$ 22,500,000	\$ -	\$ 112,170,000
Office Development and Capital Program	18,502,819	47,825,000	37,875,000	28,375,000	27,675,000	-	160,252,819
Public Safety Facilities and Security Upgrades	11,765,000	6,111,250	26,930,000	3,530,000	3,530,000	-	51,866,250
Recreation and Cultural Facilities	58,640,356	222,261,299	82,407,692	94,566,806	91,887,299	-	549,763,452
Seismic & Bridge Improvements, Yards and Shops	42,767,912	66,347,829	33,081,052	29,049,641	29,681,164	28,390,582	229,318,180
Los Angeles Convention Center	21,755,000	5,010,000	3,390,000	2,350,000	1,370,000	-	33,875,000
Other	13,966,121	8,177,535	330,487	330,487	330,487	-	23,135,117
Subtotal	\$ 189,515,538	\$ 378,284,583	\$ 206,514,231	\$ 180,701,934	\$ 176,973,950	\$ 28,390,582	\$ 1,160,380,818
Physical Plant							
Clean Water Projects	\$ 305,485,431	\$ 461,867,897	\$ 438,309,221	\$ 294,571,005	\$ 264,634,825	\$ 1,016,428,514	\$ 2,781,296,893
Watershed Management Projects	37,470,985	68,418,682	43,810,180	24,584,341	16,636,700	-	190,920,888
Street Projects	437,314,713	409,932,767	395,890,947	307,526,137	721,344,984	-	2,308,009,548
Street Lighting Projects	5,660,000	975,000	925,000	925,000	925,000	-	9,410,000
Subtotal	\$ 821,931,129	\$ 941,194,346	\$ 878,935,348	\$ 627,606,483	\$ 1,003,541,509	\$ 1,016,428,514	\$ 5,289,637,329
Technology							
Citywide Infrastructure	\$ 5,854,026	\$ 23,045,316	\$ 18,860,009	\$ 38,988,605	\$ 17,729,502	\$ 14,350,000	\$ 118,827,458
Major Projects and System Replacements	39,468,866	43,812,167	32,748,880	19,215,636	9,181,736	12,162,964	156,590,249
Subtotal	\$45,322,892	\$66,857,493	\$51,608,889	\$58,204,241	\$26,911,238	\$26,512,964	\$275,417,707
TOTAL - ALL PROJECTS	\$ 1,056,769,559	\$ 1,386,336,412	\$ 1,137,058,468	\$ 866,512,658	\$ 1,207,426,697	\$ 1,071,332,060	\$ 6,725,435,854

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

Table 12
CAPITAL AND TECHNOLOGY IMPROVEMENT PLAN
BY FUNDING SOURCE

	<i>2022-23</i>	<i>Future Cost</i>	<i>Total</i>
Municipal Facilities			
General Fund	\$ 30,593,150	\$ 255,736,182	\$ 286,329,332
Lease Revenue Bonds	125,094,559	558,546,786	683,641,345
Special Funds	<u>33,827,829</u>	<u>156,582,312</u>	<u>190,410,141</u>
Subtotal	\$ 189,515,538	\$ 970,865,280	\$ 1,160,380,818
Physical Plant			
General Fund	\$ 71,086,561	\$ 212,520,988	\$ 283,607,549
Lease Revenue Bonds	-	13,431,282	13,431,282
Special Funds ⁽¹⁾	<u>750,844,568</u>	<u>4,241,753,930</u>	<u>4,992,598,498</u>
Subtotal	\$ 821,931,129	\$ 4,467,706,200	\$ 5,289,637,329
Technology			
General Fund	\$ 25,065,243	\$ 1,333,294,815	\$ 1,583,360,058
Lease Revenue Bonds	5,200,000	-	5,200,000
Special Funds	<u>15,057,649</u>	<u>96,800,000</u>	<u>111,857,649</u>
Subtotal	\$ 45,322,892	\$ 230,094,815	\$ 275,417,707
All Programs			
General Fund	\$ 126,744,954	\$ 601,551,985	\$ 728,296,939
Lease Revenue Bonds	130,294,559	571,978,068	702,272,627
Special Funds	<u>799,730,046</u>	<u>4,495,136,242</u>	<u>5,294,866,288</u>
Total	\$ 1,056,769,559	\$ 5,668,666,295	\$ 6,725,435,854

⁽¹⁾ Includes the proceeds of enterprise revenue bonds.

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

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

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

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

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

MAJOR GENERAL FUND REVENUE SOURCES

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

Table 13
GENERAL FUND RECEIPTS⁽¹⁾
(\$ in thousands)

	2018-19	2019-20	2020-21	2021-22	2022-23 Adopted Budget	% of 2022-23 Budget
Property Tax	\$2,010,508	\$2,132,308	\$2,261,356	\$2,323,454	\$2,535,005	34.0%
Property Tax Increment (Former CRA/LA)	73,971	84,054	128,042	120,479	153,800	2.1
Departmental Receipts	1,129,767	1,198,296	1,257,516	1,154,263	1,272,944	17.1
Business Tax	603,123	655,849	692,386	757,601	786,900	10.6
Sales Tax	581,443	556,237	524,618	687,299	704,760	9.5
Utility Users Tax	644,152	638,379	615,238	638,151	614,100	8.2
Documentary Transfer Tax	206,211	205,473	235,922	308,805	298,540	4.0
Transient Occupancy Tax	318,888	253,539	110,427	239,124	263,220	3.5
Power Revenue Transfer	232,557	229,913	218,355	225,015	229,721	3.1
Parking Fines	129,900	114,865	93,347	110,273	130,000	1.7
Grants Receipts	11,613	18,398	43,690 ⁽²⁾	40,527 ⁽³⁾	122,083 ⁽⁴⁾	1.6
Franchise Income ⁽⁵⁾	84,314	84,020	84,303	105,971	119,831	1.6
Parking Occupancy Tax	120,949	106,979	58,844	101,055	111,270	1.5
Interest Income	34,099	46,429	27,112	28,514	36,610	0.5
Special Parking Revenue Transfer	32,115	31,294	-	8,477	30,426	0.4
Tobacco Settlement	10,616	10,178	11,489	11,810	11,489	0.2
Residential Development Tax	4,918	4,821	4,392	4,866	4,800	0.1
State Motor Vehicle License Fees	1,946	3,198	2,942	4,532	3,900	0.1
American Rescue Plan Transfer	-	-	639,450	639,483	-	-
Subtotal General Fund Revenues	\$6,231,090	\$6,374,231	\$7,009,427	\$7,509,700	\$7,429,400	
Reserve Fund Transfer	5,791	195,465	-	85,090	16,648	0.2%
Total General Fund	\$6,236,881	\$6,569,696	\$7,009,427	\$7,594,790	\$7,446,048	

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

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

⁽³⁾ Includes \$46.1 million in FEMA reimbursement, of which approximately \$29.1 million has been received to date.

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

⁽⁵⁾ See “LITIGATION—6. *Apartment Owners Association of Ca. v. City of Los Angeles.*”

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

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

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

Property Tax

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

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

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

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

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

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

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

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

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

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

Table 14
ASSESSED VALUATION⁽¹⁾

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

⁽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, which is reimbursed by the State.

⁽³⁾ Assessed by the State Board of Equalization.

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

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

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

The table below summarizes the City’s receipt of the basic 1 percent property tax and those reallocations received as property tax. This table excludes property tax attributable to the dissolution of the Los Angeles Community Redevelopment Agency and the *ad valorem* tax levied to pay general obligation bond debt service; the latter is not reported in the General Fund. Variance between the rate of change in property tax receipts summarized in the table below and the rate of change in assessed valuation summarized above may be attributed to the timing of the County’s tax remittances to the City—as the property tax remittance period does not align with the City’s fiscal year, and to property tax revenue that is realized outside of the annual billing cycle such as redemptions, supplemental bills, refunds and other adjustments.

Table 15
PROPERTY TAX - ALL SOURCES⁽¹⁾
Annual Property Tax by Account
(\$ in thousands)

	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>Adopted Budget 2022-23</i>
Secured	\$ 1,458,252	\$ 1,528,635	\$ 1,612,184	\$ 1,645,439	\$ 1,831,737
Unsecured	56,894	59,230	57,782	60,641	60,640
Homeowner Exemption	7,875	7,941	7,771	7,776	7,780
Supplemental	39,270	39,039	40,469	49,783	45,710
Redemptions	19,622	21,375	31,241	31,351	25,800
County Admin Charges	(20,818)	(21,153)	(22,723)	(22,868)	(24,410)
Refunds	(23,084)	(19,547)	(15,701)	(15,872)	(15,872)
Adjustments	(941)	911	56	(1,312)	-
Miscellaneous Property	<u>7,045</u>	<u>10,167</u>	<u>11,221</u>	<u>7,967</u>	<u>9,500</u>
1% Property Tax	\$ 1,544,112	\$ 1,626,598	\$ 1,722,300	\$ 1,762,904	\$ 1,940,885
Percent Change ⁽²⁾	8.8%	5.3%	5.9%	2.4%	10.1%
State Vehicle License Fee Replacement	<u>473,440</u>	<u>505,710</u>	<u>539,055</u>	<u>560,550</u>	<u>594,120</u>
Property Tax All Sources	\$ 2,017,552	\$ 2,132,308	\$ 2,261,356	\$ 2,323,454	\$ 2,535,005
Percent Change	8.5%	5.7%	6.1%	2.7%	9.1%

⁽¹⁾ Cash basis.

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

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

A list of the 20 largest property taxpayers, based on secured assessed valuations within the City, for 2022-23, appears in the table below. The tax roll for the next fiscal year is typically released in the summer.

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

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

⁽¹⁾ Based on 2022-23 Local Secured Assessed Valuation of \$750,487,575,884. Total does not add due to rounding.
Source: California Municipal Statistics, Inc.

For additional information on the City’s property tax base, see “PART 2—HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION—Land Use” and “—Residential Value and Construction Activity.”

Utility Users Taxes

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

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

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

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

Table 17
UTILITY USERS TAX RECEIPTS⁽¹⁾
(\$ in thousands)

	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>Adopted Budget 2022-23</i>
Electric Users Tax	\$ 417,489	\$ 434,847	\$ 429,228	\$ 438,427	\$ 427,000
Gas Users Tax	77,035	73,837	72,752	88,539	88,000
Communications Users Tax	<u>149,628</u>	<u>129,695</u>	<u>113,259</u>	<u>111,185</u>	<u>99,100</u>
Total	\$ 644,152	\$ 638,379	\$ 615,238	\$ 638,151	\$ 614,100
 Change from Prior Year	 2.9%	 (0.9)%	 (3.6)%	 3.7%	 (3.8)%

⁽¹⁾ Cash basis.

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

Departmental Receipts

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

In 2022-23, departmental receipts are expected to increase by \$118.7 million or 10.3 percent over 2021-22 actuals mainly attributable to services to DWP, MTA reimbursements, Library reimbursements, and special funded related costs, offset by a reduction in one-time reimbursements.

The table below shows receipts from departmental receipts.

Table 18
DEPARTMENTAL RECEIPTS⁽¹⁾
(\$ in thousands)

	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>Adopted Budget 2022-23</i>
Ambulance Fees	\$ 78,472	\$ 94,074	\$ 80,385	\$ 100,749	\$ 95,400
Services to Dept. of Airports	78,879	86,242	93,948	89,654	86,102
Services to Harbor Dept.	42,428	39,065	44,808	40,989	45,717
Services to DWP	29,847	32,473	14,490 ⁽²⁾	28,812	40,714
Services to Sewer Program	107,585	109,264	93,941	129,695	127,088
Solid Waste Fee	61,661	75,427	83,042	18,621 ⁽³⁾	22,629
Gas Tax Reimbursements	23,108	21,769	41,963	26,384	28,220
Services to Stormwater Fund	-	4,732	3,037	-	-
Special Funds Related Costs	229,146	261,777	253,725	262,110	338,575
MTA Reimbursement	65,705	105,507	86,256	65,492	108,014
One Time Reimbursements	23,040	17,645	140,397 ⁽⁴⁾	38,617	14,721
Library Reimbursements	69,653	71,915	74,233	73,470	81,356
Recreation and Parks Reimbursements	49,177	49,287	52,813	64,725	64,725
State Mandated	3,320	7,172	3,806	3,907	3,000
Miscellaneous Taxes and Fees	8,540	-	-	-	-
Other Departmental Receipts	<u>259,208</u>	<u>221,948</u>	<u>190,670</u>	<u>211,036</u>	<u>216,684</u>
Total General Fund	\$1,129,767	\$ 1,198,296	\$ 1,257,516	\$1,154,263	\$1,272,944
Change from Prior Year	11.3%	6.1%	4.9%	(8.2)%	10.3%

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

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

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

⁽⁴⁾ Includes \$125 million from the Coronavirus Aid, Relief, and Economic Security Act (also known as the CARES Act) allocated towards reimbursement for related expenses in 2020-21.

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

Business Tax

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

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

The table below shows receipts from business tax.

Table 19
BUSINESS TAX RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2018-19	\$603,123	8.8%
2019-20	655,849	8.7
2020-21	692,386	5.6
2021-22	757,601	9.4
2022-23 Adopted Budget	786,900	3.9

⁽¹⁾ Cash basis.

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

Sales Tax

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

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

**Table 20
LOS ANGELES CITY
SALES TAX COMPONENTS
As of July 1, 2022**

<u>State Rate</u>		
General Fund Portion	3.9375%	
Local Revenue Fund	1.5625%	To support local health program costs (1991 realignment) and public safety services (2011 realignment).
Local Public Safety	<u>0.50%</u>	For the Local Public Safety Fund, approved by the State voters in 1993 as Proposition 172 to support local criminal justice activities. The City has budgeted \$57 million in Fiscal Year 2022-23 receipts, which are deposited in a special fund and appropriated to the Police and Fire Departments.
Total State Rate	6.00%	
<u>Uniform Local Tax Rate</u> (Statewide)		
County Transportation	0.25%	The County allocates a small portion of this to the City.
Local Point of Sale	<u>1.00%</u>	This is the “Bradley-Burns” sales tax, allocated to cities and counties (for unincorporated areas) by point of sale.
Total Uniform Local Rate	<u>1.25%</u>	
Total Statewide Rate	7.25%	
<u>Optional Local Rates</u> ⁽¹⁾		
Proposition A (LACMTA)	0.50%	
Proposition C (LACMTA)	0.50%	Voter-approved measures to improve public transit and reduce traffic congestion.
Measure R (LACMTA)	0.50%	The City receives a portion of these funds, with the percentage varying by measure.
County Measure M (LACMTA)	0.50%	
County Measure H (LA County)	0.25%	Voter-approved measure for homeless services.
Total Optional Local Rate	<u>2.25%</u>	
Total Sales Tax Rate	9.50%	

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

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

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

The pandemic had a significant impact on taxable sales and thus the City’s receipt of sales tax revenues. Various State actions during the pandemic, such as extension of filing dates and adjustment to its allocation methodologies, further obscured the impact of the pandemic on recent receipts. Beginning in 2021-22, sales tax revenues recovered sharply and have grown to higher levels than before the pandemic.

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

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2018-19	\$581,443	9.8%
2019-20	556,237	(4.3)
2020-21	524,618	(5.7)
2021-22	687,299	31.0
2022-23 Adopted Budget	704,760	2.5

⁽¹⁾ Cash basis.

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

Documentary Transfer Tax

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

This tax revenue saw recent growth despite the pandemic. The 2022-23 Adopted Budget estimate assumes growth in home prices and a decline in sales.

The table below presents receipts from this revenue source.

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

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2018-19	\$206,211	(0.8)%
2019-20	205,473	(0.4)
2020-21	235,922	14.8
2021-22	308,805	30.9
2022-23 Adopted Budget ⁽²⁾	298,540	(3.3)

⁽¹⁾ Cash basis.

⁽²⁾ The third FSR, released March 10, 2023, reports that documentary transfer tax is underperforming the Budget for Fiscal Year 2022-23 and is estimated to be \$60 million less than the amount anticipated to be received through February 2023. See “BUDGET AND FINANCIAL OPERATIONS—Interim Financial Status.”

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

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

Power Revenue Transfers to General Fund

The City’s Charter Section 344(b) provides that the Council may, by ordinance, direct that surplus money in the Power Revenue Fund be transferred to the Reserve Fund with the consent of the DWP Commissioners. These funds are routinely appropriated from the Reserve Fund to the City’s General Fund budget. The DWP Commissioners may withhold their consent if such transfer would have a material negative impact on DWP’s financial condition in the year in which the transfer would be made. The transfer rate has been 8 percent of surplus revenues beginning with 2009-10.

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

The City has been the subject of litigation that challenged this long-standing practice of transferring a portion of surplus power revenues to the City’s General Fund as a violation of Proposition 26, which imposed new restrictions on taxation. A 2018 settlement in *Eck v. City of Los Angeles* limits the annual amount of revenue transferred from the DWP to the City to 8 percent of the retail operating revenues of the 2008 Electric Rate Ordinance. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 26.”

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

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

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

⁽¹⁾ Cash basis.

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

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

Transient Occupancy Tax

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

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

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

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

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2018-19	\$318,888	6.6%
2019-20	253,539	(20.5)
2020-21	110,427	(56.4)
2021-22	205,243	85.9
2022-23 Adopted Budget	263,220	28.2

⁽¹⁾ Cash basis.

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

Parking-Related Revenues

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

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

The table below shows receipts from all parking fines.

Table 25
PARKING FINES RECEIPTS
(\$ in thousands)

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2018-19	\$129,900	(6.4)%
2019-20	114,865	(11.6)
2020-21	93,347	(18.7)
2021-22	110,273	18.1
2022-23 Adopted Budget	130,000	17.9

⁽¹⁾ Cash basis.

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

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

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

<i>Fiscal Year</i>	<i>Receipts⁽¹⁾</i>	<i>Change from Prior Year</i>
2018-19	\$120,949	4.3%
2019-20	106,979	(11.6)
2020-21	58,844	(45.0)
2021-22	101,055	71.7
2022-23 Adopted Budget	111,270	10.1

⁽¹⁾ Cash basis.

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

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

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

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

⁽¹⁾ Cash basis.

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

Impact of State of California Budget

A number of the City’s revenues are collected or subvented by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. Approximately 40 percent of the City’s General Fund revenues are collected by the State or otherwise allocated in accordance with State law. During prior State fiscal crises, the State has reallocated a portion of such revenues to assist in its own budget balancing, or taken other actions that adversely impacted the financial condition of local governments, including the City. Proposition 1A, adopted in 2004, amended the State Constitution to impose limits on the State’s ability to reallocate local revenue. See “LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A.”

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov. 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. There can be no assurance

that State budget actions will not materially adversely impact the City's finances in Fiscal Year 2022-23 or thereafter.

LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution - Proposition 13

Article XIII A of the California Constitution, known as Proposition 13, was approved by the voters in 1978. Article XIII A limits the amount of *ad valorem* taxes on real property to 1 percent of "full cash value" as determined by the County Assessor, except that additional *ad valorem* taxes may be levied to pay debt service on local government indebtedness approved by the voters.

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

See "MAJOR GENERAL FUND REVENUE SOURCES—Property Tax."

Article XIII B of the California Constitution

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

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

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

Table 28
APPROPRIATIONS LIMITS AND APPROPRIATIONS SUBJECT TO LIMITATION

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

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

Articles XIIC and XIID of the California Constitution - Proposition 218

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

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

The City is currently the subject of a putative class action lawsuit, entitled *Hoffman et al. v. City of Los Angeles*, which alleges that the charges imposed on residential customers for the use and disposal of sewage through the City’s sewage system violate Proposition 218 and other applicable City statutes. The court issued an interim decision on or about June 30, 2021, finding that the City failed to meet the procedural requirements under Proposition 218, along with other applicable City statutes, when it imposed residential sewer service charges on residential customers with its annual determination of a reduction factor (Dry Winter Compensation Factor) that is applied to such charges. Plaintiffs raised further substantive violations under Proposition 218 (*i.e.*, whether the City used the revenues derived from residential sewer service charges for non-sewer related purpose), which assertions have not yet been tried and are pending. The parties have mediated this matter and reached a tentative common fund settlement of \$57.5 million. However, the settlement is still subject to court approval and the parties are currently working on obtaining such court approval. The settlement amount is expected to be paid from the City’s wastewater enterprise fund.

See “LITIGATION—6. Apartment Owners Association of Ca. v. City of Los Angeles” for a discussion of outstanding litigation which could invalidate the City’s franchise fee program for private commercial waste haulers.

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

Proposition 26

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

The City has been subject to a series of lawsuits pertaining to the transfer of surplus power revenues, which is a material source of City General Fund revenues. The principal lawsuit on this matter was *Eck*, which was settled in 2018. See “MAJOR GENERAL FUND REVENUE SOURCES—Power Transfer to General Fund.”

Proposition 1A

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

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

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

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

Future Initiatives

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

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

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

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

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

BONDED AND OTHER INDEBTEDNESS

Introduction

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

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

General Obligation Bonds

The City may issue general obligation bonds for the acquisition and improvement of real property, subject to two-thirds voter authorization of the bond proposition. An *ad valorem* tax on all taxable property to pay principal and interest on general obligation bonds is levied by the City and collected by the County on the secured and unsecured property tax bills within the City. See “MAJOR GENERAL FUND REVENUE SOURCES—Property Tax.” The following summarizes the City’s various voter authorizations for general obligation bonds as of July 1, 2022. Since that date, the City also issued its \$389,435,000 original aggregate principal amount of General Obligation Bonds, Series 2022-A (Taxable) (Social Bonds) under Proposition HHH (the “2022 GO Bonds”). The 2022 GO Bonds are not reflected in Tables 29, 34, 35, 38, 40 and 42, below).

Table 29
GENERAL OBLIGATION BONDS
As of July 1, 2022

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

⁽¹⁾ Includes pro-rata allocation of refunding bonds. Principal payments are made September 1.
Source: City of Los Angeles, Office of the City Administrative Officer.

The following indicates the *ad valorem* property tax rate levied to service the City’s general obligation bonds, as well as the overlapping property tax rates levied in the City. These rates in the table are representative, and show the rates in the four largest taxing areas within the City, as measured by assessed valuation.

Table 30
2021-22 TYPICAL TAX RATE PER \$100 OF ASSESSED VALUATION⁽¹⁾

Countywide 1%	1.000000%
City of Los Angeles	.014721
Los Angeles Unified School District	.113228
Los Angeles Community College District	.043759
Metropolitan Water District	<u>.003500</u>
Total	1.175208%

⁽¹⁾ Rates in Tax Rate Areas 00067, 00013, 00016 and 00004:
Source: California Municipal Statistics, Inc.

Lease Obligations

The City may enter into long-term lease obligations without first obtaining voter approval, so long as these agreements meet the requirements of State law. The City has entered into various lease arrangements under which the City must make annual lease payments to occupy public buildings or use capital equipment necessary for City operations. Most of these lease agreements have been with a nonprofit corporation established by the City for this purpose, the Municipal Improvement Corporation of Los Angeles (“MICLA”). In most cases, securities have been issued in the form of lease revenue bonds, on which debt service is paid from the annual lease payments primarily made by the City’s General Fund. In some cases, as noted below, the lease obligation was privately placed directly with a bank or other private lender. Payment of lease payments is managed by the CAO and, unless otherwise noted, budgeted in the Capital Finance Administration Fund.

The following table summarizes the outstanding bonded and other long-term financing lease obligations payable from the City's General Fund.

Table 31
GENERAL FUND BONDED AND OTHER FINANCING LEASE OBLIGATIONS
As of July 1, 2022

<i>Series</i>	<i>Project</i>	<i>Amount Issued</i>	<i>Amount Outstanding</i>	<i>Final Maturity</i>
Public Offerings				
MICLA Lease Revenue Bonds, Series 2010-C (Taxable) (dated November 23, 2010)	Real Property	\$ 18,170,000	\$ 15,225,000	11/1/40
MICLA Taxable Lease Revenue Refunding Bonds, Series 2015-A (dated November 19, 2015)	Real Property (Convention Center)	292,415,000	16,290,000	11/1/22
MICLA Lease Revenue Refunding Bonds, Series 2016-A (dated June 1, 2016)	Capital Equipment and Fixtures	125,235,000	69,695,000	11/1/26
MICLA Lease Revenue Refunding Bonds, Series 2016-B (dated June 1, 2016)	Real Property	685,270,000	555,845,000	11/1/39
MICLA Lease Revenue Bonds, Series 2018-A (dated February 6, 2018)	Capital Equipment and Fixtures	54,430,000	36,265,000	11/1/27
MICLA Lease Revenue Bonds, Series 2018-B (dated February 25, 2018)	Real Property	31,270,000	27,555,000	11/1/37
MICLA Lease Revenue Refunding Bonds, Series 2018-C (dated February 26, 2018)	Real Property	25,630,000	16,425,000	11/1/27
MICLA Lease Revenue Bonds, Series 2020-A (dated August 20, 2020)	Capital Equipment and Fixtures	84,725,000	78,030,000	11/1/30
MICLA Lease Revenue Refunding Bonds, Series 2020-B (dated August 20, 2020)	Real Property	80,850,000	66,870,000	11/1/40
MICLA Lease Revenue Refunding Bonds, Series 2020-C Taxable (dated August 20, 2020)	Real Property	102,265,000	79,075,000	11/1/41
MICLA Lease Revenue Refunding Bonds, Series 2021-A (Taxable) (dated March 4, 2021)	Capital Equipment and Real Property	177,470,000	172,405,000	11/1/38
MICLA Lease Revenue Refunding Bonds, Series 2021-B (dated March 4, 2021)	Capital Equipment and Real Property	60,481,000	60,481,000	11/1/38
MICLA Lease Revenue Bonds, Series 2021-C (dated December 15, 2021)	Capital Equipment and Real Property	<u>154,205,000</u>	<u>154,205,000</u>	11/1/41
Subtotal Public Offerings		\$ 1,892,416,000	\$ 1,348,366,000	
Private Placements				
MICLA 2016 Streetlights (dated April 5, 2016)	Capital Equipment and Streetlights	26,368,864	6,977,333	4/1/24
MICLA 2017 Streetlights Financing (dated April 18, 2017)	Capital Equipment and Streetlights	39,297,800	20,908,958	6/1/27
2017 Police Vehicles Lease Financing (dated November 15, 2017)	Capital Equipment	21,110,000	3,557,080	11/15/22
2017 Police Radios Lease Financing (dated December 22, 2017)	Vehicles and Handheld Radios	64,500,000	26,992,042	2/1/25
MICLA 2019 Streetlights Financing (dated September 30, 2019)	Capital Equipment and Fixtures	17,845,461	14,152,643	6/1/29
MICLA 2020 Streetlights Financing (dated November 1, 2020)	Capital Equipment and Fixtures	<u>9,088,272</u>	<u>8,301,947</u>	6/1/31
Subtotal Private Placements		<u>\$ 178,210,397</u>	<u>\$ 80,890,003</u>	
Total Lease Obligations		\$ 2,070,626,398	\$ 1,429,256,002	

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

Commercial Paper Programs

The City has created two commercial paper (“CP”) programs secured by lease agreements payable from the General Fund.

In 2004, the City and MICLA established a commercial paper program authorizing MICLA to issue lease revenue CP notes to finance and refinance capital equipment, the acquisition and improvement of real property, and other financing needs of the City (the “General MICLA CP”). The General MICLA CP program increased from time to time and is currently authorized for up to \$425 million. The City expects to issue lease revenue bonds through MICLA from time to time to refund the General MICLA CP. As of March 15, 2023, \$282.9 million in General MICLA CP was outstanding under this program.

The City has created a second CP program to issue up to \$100 million in lease revenue CP notes to finance and refinance capital improvements to the Los Angeles Convention Center facility (the “LACC CP”), which also represents a lease obligation of the General Fund. As of March 15, 2023, \$16.7 million in LACC CP was outstanding under this program.

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

In connection with each of these CP programs, the City arranged for the issuance of one or more irrevocable direct-pay letters of credit and entered into a reimbursement agreement with each of the credit banks. If the City is unable to secure replacement letters of credit, the related letters of credit would be drawn upon prior to expiration to pay interest and principal due on the CP. Under the reimbursement agreement, the City is generally required to reimburse the credit banks over a period of time, but annual payments may not exceed the annual fair rental value of the leased properties. The reimbursement agreements contain a number of covenants and agreements on the part of the City, and specify events of default and remedies.

The direct pay letters of credit that support these CP programs are scheduled to expire on June 30, 2025. The table below summarizes the direct pay letters of credit that will support the payment of principal of and interest on the General MICLA CP and the LACC CP programs, respectively.

Table 32
LEASE REVENUE COMMERCIAL PAPER NOTES LETTERS OF CREDIT

<i>Series</i>	<i>LOC Provider</i>	<i>Amount of CP Supported</i>	<i>LOC Expiration</i>
A-1 and B-1	BMO Harris Bank, N.A.	\$150,000,000	June 30, 2025
A-2 and B-2	Bank of America, N.A.	100,000,000	June 30, 2025
A-3 and B-3	U.S. Bank National Association	175,000,000	June 30, 2025
Convention Center	U.S. Bank National Association	100,000,000	June 30, 2025

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

Revenue Bonds

The Charter and State law provide for the issuance of revenue bonds, which are secured by and payable from the revenues generated by various enterprise and special fund operations. These revenue bonds do not represent obligations of the General Fund of the City, nor are they secured by taxes. Revenue bonds administered by the CAO have been issued in the past that are secured by wastewater, 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 issuances.

Table 33
TAX AND REVENUE ANTICIPATION NOTES

<i>Fiscal Year</i>	<i>LACERS</i>	<i>Fire and Police Pensions</i>	<i>Cashflow</i>	<i>Total Par Amount</i>
2018-19	\$477,615,000	\$672,655,000	\$391,160,000	\$1,541,430,000
2019-20	539,935,000	680,670,000	434,425,000	1,655,030,000
2020-21	515,155,000	714,395,000	531,755,000	1,761,305,000
2021-22	579,765,000	695,960,000	578,365,000	1,854,090,000
2022-23	627,120,000	651,180,000	295,570,000	1,573,870,000

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

Summary of Long-Term Borrowings

The table below presents a statement of the City's debt, while the subsequent two tables summarize the debt service to maturity of certain of these obligations. Direct Debt is usually defined as the total amount outstanding of "tax-supported" obligations, including general obligation bonds, lease revenue bonds, certificates of participation secured by lease payments, and other obligations paid from property tax or other general revenues. Net Direct Debt excludes any general obligation bonds and lease obligations that are self-supporting from non-General Fund sources; no such deductions are included below. Overall Net Debt is usually defined to be the combination of City Net Direct Debt plus the net tax-supported debt of overlapping counties, school districts and special districts, including assessment and Mello-Roos special tax debt.

The following tables exclude the 2022 GO Bonds, \$99,025,000 original aggregate principal amount of Wastewater System Subordinate Revenue Bonds, Series 2022-A (Green Bonds), and \$70,300,000 original aggregate principal amount of Wastewater System Subordinate Revenue Bonds, Series 2022-B (Federally Taxable).

Table 34
NET DIRECT DEBT
As of July 1, 2022

	<i>Outstanding</i>
General Obligation Bonds	\$ 739,015,000
Lease Obligations ^{(1) (2)}	\$ 1,429,256,002
GROSS DIRECT DEBT	\$ 2,168,271,002
Revenue Bonds ⁽²⁾	
Power Revenue (DWP)	\$ 11,097,635,000
Water Revenue (DWP) ⁽³⁾	5,473,545,000
Department of Airports	10,094,845,000
Harbor Department	577,330,000
Wastewater System ⁽³⁾	
Senior Revenue Bonds	879,840,000
Subordinate Revenue Bonds	1,656,380,000
Solid Waste Resources Fee	<u>147,015,000</u>
Subtotal	<u>\$ 29,926,590,000</u>
TOTAL CITY DEBT	\$ 32,094,861,002
Less:	
Revenue Bonds	<u>(29,926,590,000)</u>
NET DIRECT DEBT	\$ 2,168,271,002
Plus:	
Overlapping Debt ⁽⁴⁾	<u>14,036,490,165</u>
NET OVERALL DEBT	<u>\$ 16,204,761,167</u>

⁽¹⁾ Includes only bonded and certificated lease obligations and long-term private placements.

⁽²⁾ Does not include any commercial paper or revolving credit agreements.

⁽³⁾ Does not include outstanding California State Revolving Fund loans.

⁽⁴⁾ Overlapping debt information from California Municipal Statistics, Inc. as of June 1, 2022. See Table 42.

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

Table 35
DEBT SERVICE TO MATURITY ON DEBT PAYABLE
FROM *AD VALOREM* PROPERTY TAXES⁽¹⁾
As of July 1, 2022

<i>Fiscal Year</i>	<i>Principal</i>	<i>General Obligation Bonds</i>	
		<i>Interest</i>	<i>Total</i>
2023	\$ 88,770,000	\$ 25,973,690	\$ 114,743,690
2024	71,595,000	20,372,575	91,967,575
2025	54,370,000	18,093,992	72,463,992
2026	47,315,000	16,271,642	63,586,642
2027	46,545,000	14,577,213	61,122,213
2028	45,085,000	13,014,731	58,099,731
2029	46,540,000	11,533,771	58,073,771
2030	41,825,000	10,079,818	51,904,818
2031	34,270,000	8,859,547	43,129,547
2032	34,190,000	7,799,351	41,989,351
2033	28,720,000	6,817,262	35,537,262
2034	28,720,000	5,908,522	34,628,522
2035	28,720,000	4,980,237	33,700,237
2036	28,720,000	4,041,849	32,761,849
2037	28,720,000	3,096,006	31,816,006
2038	28,720,000	2,142,708	30,862,708
2039	24,405,000	1,257,222	25,662,222
2040	10,595,000	711,189	11,306,189
2041	10,595,000	429,098	11,024,098
2042	10,595,000	143,033	10,738,033
2043	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 739,015,000	\$ 176,103,456	\$ 915,118,456

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

Table 36
DEBT SERVICE TO MATURITY ON BONDED AND CERTIFICATED LEASE OBLIGATIONS⁽¹⁾⁽²⁾
As of July 1, 2022

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2023	\$ 137,734,590	\$ 55,415,796	\$ 193,150,385
2024	121,734,595	51,216,795	172,951,390
2025	117,220,117	47,171,849	164,391,966
2026	110,804,302	43,085,836	153,890,138
2027	114,854,518	38,685,881	153,540,398
2028	91,517,013	34,288,547	125,805,560
2029	84,740,289	30,448,118	115,188,407
2030	74,539,184	26,927,673	101,466,857
2031	77,972,395	23,480,907	101,453,302
2032	69,318,000	20,142,620	89,460,620
2033	61,746,000	17,160,649	78,906,649
2034	63,450,000	14,483,252	77,933,252
2035	62,769,000	11,926,748	74,695,748
2036	65,390,000	9,288,746	74,678,746
2037	68,252,000	6,416,430	74,668,430
2038	40,613,000	4,000,706	44,613,706
2039	28,311,000	2,488,698	30,799,698
2040	16,080,000	1,474,680	17,554,680
2041	13,645,000	739,438	14,384,438
2042	8,565,000	196,976	8,761,976
2043	0	0	0
Total	\$ 1,429,256,002	\$ 439,040,345	\$ 1,868,296,348

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

⁽²⁾ Does not include any commercial paper or revolving credit agreements.

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

Debt Management Policies

The City adopted a written debt policy in August 1998, which was incorporated into the City’s Administrative Code in May 2000 and has also adopted policies for Mello-Roos financing, variable rate debt and swaps. Revisions of these policies were approved by the Council in September 2020. See “BUDGET AND FINANCIAL OPERATIONS—Financial Management Policies.” The City’s Debt Management Policy establishes guidelines for the structure and management of the City’s debt obligations. These guidelines include target and ceiling levels for certain debt ratios to be used for planning purposes. The two most significant ratios are shown below.

Table 37
DEBT MANAGEMENT POLICY RATIOS

<i>Ratio</i>	<i>Ceiling</i>	<i>2020-21</i>	<i>Estimated 2021-22</i>	<i>Budget 2022-23</i>
Total Direct Debt Service as Percent of General Revenues ⁽¹⁾	15.0%	4.51%	4.81%	4.44%
Non-Voted Direct Debt Service as Percent of General Revenues ⁽¹⁾	6.0% ⁽²⁾	2.78%	3.33%	2.97%

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

⁽²⁾ The 6% ceiling may be exceeded only if there is a guaranteed new revenue stream for the debt payments and the additional debt will not cause the ratio to exceed 7.5%, or there is not a guaranteed revenue stream but the 6% ceiling shall only be exceeded for one year.

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

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

Table 38
FINANCIAL RATIOS

<i>As of June 30</i>	<i>Net Direct Debt</i>	<i>Net Debt Per Capita</i>	<i>Net Debt as Percent of Net Assessed Valuation</i>
2018	\$2,277,748,296	\$570	0.40%
2019	2,241,343,140	562	0.37
2020	2,160,374,979	543	0.33
2021	2,064,424,459	526	0.30
2022	2,168,271,002	568	0.30

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

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

Table 39
GENERAL FUND DEBT SERVICE AS A PERCENTAGE OF GENERAL FUND⁽¹⁾

<i>Fiscal Year</i>	<i>Total Debt Service</i>	<i>Paid From Special Revenue Funds</i>	<i>Net General Fund Debt Service⁽²⁾</i>	<i>General Fund Revenues⁽³⁾</i>	<i>Gross as Percent of GF</i>	<i>Net as Percent of GF</i>
2018-19	\$238,288,959	\$26,600,114	\$211,688,845	\$6,231,089,520	3.82%	3.40%
2019-20	212,168,449	25,259,709	186,908,740	6,374,231,315	3.33%	2.93%
2020-21	181,176,205	22,591,091	158,585,114	7,009,426,788	2.58%	2.26%
2021-22	228,153,071	23,366,537	204,786,534	7,509,699,517	3.04%	2.73%
2022-23 Adopted Budget	205,482,723	23,108,433	182,374,290	7,429,399,821	2.77%	2.45%

⁽¹⁾ Cash basis.

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

⁽³⁾ Excludes transfers from the Reserve Fund.

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

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

Table 40
RETIREMENT OF NET DIRECT DEBT⁽¹⁾
As of June 1, 2022

<i>Maturing Within</i>	<i>General Obligation Bonds</i>		<i>Bonded and Certificated Leases</i>		<i>Total</i>	
	<i>Maturing Principal</i>	<i>Cumulative % of Debt Retired</i>	<i>Maturing Principal</i>	<i>Cumulative % of Debt Retired</i>	<i>Maturing Principal</i>	<i>Cumulative % of Debt Retired</i>
>0 to 5 years	\$308,595,000	41.8%	\$602,348,121	42.1%	\$910,943,121	42.0%
>5 to 10 years	201,910,000	69.1	398,086,881	70.0	599,996,881	69.7
>10 to 15 years	143,600,000	88.5	321,607,000	92.5	465,207,000	91.1
>15 to 20 years	84,910,000	100.0	107,214,000	100.0	192,124,000	100.0
>20 to 25 years	0	100.0	0	100.0	0	100.0
Total	\$ 739,015,000		\$1,429,256,002		\$2,168,271,002	

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

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

Variable Rate Obligations and Swap Agreements

The only variable-rate debt paid from General Fund revenues are the CP programs described above. There are no swap agreements payable from the General Fund.

Projected Additional Financings

The City currently anticipates the completion of some or all of the financings summarized in the table below secured in whole or in part by the City's General Fund or other revenues and taxes. Certificates of participation or lease revenue bonds in addition to those listed below may be approved for refundings or to finance real and personal property acquisitions and improvements.

Because of expectations of undertaking an expansion and improvement to the Los Angeles Convention Center, the City expects to continue appropriating approximately \$50 million a year for that purpose, even though all outstanding lease revenue bonds will be retired in 2022-23. For 2022-23, \$16.6 million will be utilized for debt service and \$34.1 million will be allocated towards a future project. The City expects to allocate \$50 million annually thereafter. The actual timing and size of a future financing has yet to be determined, so is not included below. The City may also seek further general obligation bond authorization from voters.

Table 41
PROPOSED SCHEDULE OF BOND ISSUANCES⁽¹⁾
DEBT CALENDAR
(as of April 1, 2023)

	<i>Expected Sale Date</i>	<i>Amount</i>
Fiscal Year 2022-23 Debt Issuance		
Solid Waste Resources Revenue Bonds	Summer 2023	\$200 million
2023 Tax and Revenue Anticipation Notes	Summer 2023	\$1.7 billion
Fiscal Year 2023-24 Debt Issuance		
MICLA Lease Revenue Bonds (Capital Equipment and Real Property) (CP Take-out)	Fall 2023	\$220 million
Los Angeles Wastewater System Revenue Bonds (CP Take-out)	Spring 2024	\$360 million
2024 Tax and Revenue Anticipation Notes	Summer 2024	TBD
General Obligation Bonds (Taxable) (Proposition HHH)	TBD	\$236.02 million
Fiscal Year 2024-25 Debt Issuance		
MICLA Lease Revenue Bonds (Capital Equipment and Real Property) (CP Take-out)	Spring 2025	\$220 million
2025 Tax and Revenue Anticipation Notes	Summer 2025	TBD
General Obligation Bonds (Proposition O)	TBD	\$60.5 million

⁽¹⁾ Subject to change. Excludes commercial paper issuances.
Source: City of Los Angeles, Office of the City Administrative Officer.

Overlapping Bonded Debt

Contained within the City are numerous overlapping local agencies providing public services. Many of these local agencies have outstanding bonds issued primarily in the form of general obligation, pension obligation, lease revenue, special tax, and special assessment bonds. A statement of the overlapping debt of the City, prepared by California Municipal Statistics Inc., is shown in the following table. The City makes no representations as to its completeness or accuracy. Self-supporting revenue bonds, tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement. The City anticipates issuing

additional bonded debt. See “BONDED AND OTHER INDEBTEDNESS—Introduction” and “Proposed Additional Financings.” The City also anticipates that new special assessment and special tax districts may be created in the future within the City, and that debt supported by these special assessments and special taxes may be issued.

Table 42
STATEMENT OF OVERLAPPING DEBT
As of June 1, 2022

	<i>Debt Outstanding</i>	<i>Estimated Percent Applicable</i>	<i>Estimated Shares Of Overlapping</i>
<u>OVERLAPPING DEBT REPAYED WITH PROPERTY TAXES</u>			
The Metropolitan Water District of Southern California	\$20,175,000	21.336%	\$4,304,538
Los Angeles Community College District	4,146,515,000	72.335	2,999,381,625
Beverly Hills Unified School District	664,390,283	0.148	983,298
Inglewood Unified School District	203,435,000	0.760	1,546,106
Las Virgenes Unified School District	105,375,995	0.886	933,631
Los Angeles Unified School District	10,770,060,000	88.386	9,519,225,232
Los Angeles Unified School District supported general obligation bonds ⁽¹⁾	(154,867,634)	88.386	(136,881,307)
Other School Districts	541,217,928	Various	444,536
City of Los Angeles Community Facilities District No. 3	605,000	100.000	605,000
City of Los Angeles Community Facilities District No. 4	59,225,000	100.000	59,225,000
City of Los Angeles Community Facilities District No. 8	5,470,000	100.000	5,470,000
City of Los Angeles Community Facilities District No. 11	22,410,000	100.000	22,410,000
Mountains Recreation and Conservation Authority Assessment Districts	14,730,000	100.000	14,730,000
<u>OTHER OVERLAPPING DEBT:</u>			
Los Angeles County General Fund Obligations	2,764,747,105	40.851	1,129,426,840
Los Angeles County Superintendent of Schools Certificates of Participation	3,972,227	40.851	1,622,694
Los Angeles County Sanitation District Nos. 1, 4, 5, 8 & 16 Authorities	6,697,602	0.001 – 11.927	328,022
Inglewood Unified School District Certificates of Participation	1,185,000	0.760	9,006
Las Virgenes Unified School District Certificates of Participation	9,052,295	0.886	80,203
Los Angeles Unified School District Certificates of Participation	120,710,000	88.386	106,690,741
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$305,955,000	100.000%	\$305,955,000
SUBTOTAL, OVERLAPPING DEBT			\$14,036,490,165
City of Los Angeles General Obligation Bonds	\$739,015,000	100.000%	\$739,015,000
City of Los Angeles General Fund Obligations	1,432,792,207	100.000	1,429,256,002
TOTAL CITY OF LOS ANGELES DIRECT DEBT			\$2,168,271,002
TOTAL DIRECT AND OVERLAPPING DEBT			\$16,204,761,167 ⁽²⁾

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

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

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

OTHER MATTERS

Seismic Considerations

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

insurance coverage; see “BUDGET AND FINANCIAL OPERATIONS—Risk Management and Retention Program.”

Environmental and Social Considerations

The change in the earth’s average atmospheric temperature, generally referred to as “climate change,” is expected to, among other things, increase the frequency and severity of extreme weather events and cause substantial flooding. The City cannot predict the timing, extent, or severity of climate change and its impact on the City’s operations and finances. Climate change may be a factor in the increased incidence of wildfire in the City and elsewhere in the County and the State. Also, additional actions to address climate change may be necessary and the City can give no assurances regarding the impact of such actions on the City’s operations and finances.

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

In addition, the City Council created a standing committee to review all matters relating to “Energy and Environment.” The City has also created a Climate Emergency Mobilization Office within its Department of Public Works, which coordinates various City and community entities to implement equitable and just climate policies. The City has also hired a Chief Heat Officer, who will lead efforts to respond to extreme heat events and coordinate with various City departments and other agencies, given the understanding that heat-related deaths and hospitalizations disproportionately affect low-income communities.

Among the specific initiatives to enhance climate resiliency being undertaken by the City include various improvements to the City’s wastewater treatment plants in order to recycle all their flow for beneficial use, construction of a series of groundwater remediation projects to further reduce the City’s reliance on imported water and mitigate the impacts of prolonged drought, exploration of the use of specially designed “cool roofs” to manage the effect of rising temperatures in urban environments, and tests of the effects of “cool pavement” (a special coating applied to city streets) to manage urban temperatures. As part of the 2022-23 Adopted Budget, the Bureau of Engineering was directed to develop and implement a plan for decarbonization of the City’s facilities, and the Bureau of Sanitation was directed to see that the City adheres to global protocols in tracking and reporting on municipal greenhouse gas emissions.

The City has also taken various actions to address matters of social equity, including new programs to advance racial and economic justice; new models to help reimagine public safety; strategies to help keep streets clean and deliver city services more quickly; and investments intended to empower young people and place them on a path to success.

Among the areas where both environmental and equity considerations come into play are in the City’s Capital Improvement and Technology Expenditure Program. Among the criteria used in prioritizing capital funding are resiliency and sustainability projects that improve public health and the environment through improved water resources, air quality, reduction in greenhouse gas emissions, and habitat protection and projects that contribute toward economic development and/or promote social equity to benefit underserved communities, including those with low-income households, low community engagement, and low mobility or access to transportation systems. See “BUDGET AND FINANCIAL OPERATIONS—Capital Program.” In an effort to identify capital investments that work towards achieving the City’s climate change mitigation, resilience, and sustainability goals, projects proposed for funding are labeled as Green Investments if they support climate goals as outlined in the Plan and are in alignment with the Green Bond Principles established by the International Capital Market Association. In addition, a Social Equity Index score has been identified for site-specific projects,

with lower scores representing the most disadvantaged communities within the City. The intended social impact of a project is considered as part of the funding prioritization process.

Cybersecurity

The City relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the City and its departments face multiple cyber threats including hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. There have been, however, only limited cyber-attack disruptions on the City's computer system to date. For example, in 2019, the City experienced a cyber-attack that impacted a cloud-hosted system at a City department. The attack potentially involved certain personal information of about 20,000 applicants who went through the LAPD recruitment process. The City mitigated the attack and notified all the affected individuals immediately. The City installed web application firewall and endpoint protection system to quickly identify and respond to cyber-attacks targeted at the department web application systems.

In 2013, the City created the Cyber Intrusion Command Center (the "CICC") under a Mayoral Executive Directive to coordinate cybersecurity preparation and response across City departments. The CICC is comprised of key City departments, cybersecurity professionals, and local and federal law enforcement experts. The CICC has assisted the City in establishing policies for data classification, information handling, and cybersecurity prevention and response protocols. In 2015, the City established an Integrated Security Operations Center (the "ISOC") with cybersecurity professionals for cyber-attack monitoring and response. In addition, the City has identified critical data assets and applied additional cyber defenses through its Critical Asset Protection program. The City conducts cyber security awareness training for all City employees with computer access, conducts phishing email tests, and provides periodic cybersecurity newsletters and workshops to its employees. In 2017, the City consolidated and distributed a comprehensive Information Security Policy Manual with sections dedicated to City employees, City managers, and City technology professionals. Also, the City conducts annual "penetration tests" to identify and remediate any potential weaknesses in its networks and weekly cyber vulnerability scanning on City servers and websites accessible by the Internet.

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

Clean Water Compliance

General. The Clean Water Act ("CWA") regulates the discharges of pollutants into the waters of the United States by establishing water quality standards. The CWA requires states to identify "impaired" water bodies and to develop a Total Maximum Daily Load ("TMDL") for each pollutant contributing to the impairment. The CWA makes it unlawful to discharge any pollutant into waters protected by the CWA unless a permit is first obtained. The U.S. Environmental Protection Agency's ("EPA's") National Pollutant Discharge Elimination System ("NPDES") permit program controls these discharges. With respect to the City, the EPA has delegated permitting and direct enforcement under its NPDES program to the Los Angeles Regional Water Quality Control Board ("LARWQCB").

On July 23, 2021, the LARWQCB adopted the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit ("MS4 permit") Order No. R4-2021-0105, which became effective on September 11, 2021. The MS4 permit establishes TMDL pollutant limits that can be discharged into water while still meeting water quality standards and objectives. Eighty-four of the 88 cities in Los Angeles County (including the City), the Los Angeles County Flood Control District (LACFCD), and the Counties of Los Angeles and Ventura are covered by this Regional MS4 permit. The City is currently subject to 22 TMDLs, encompassing a total of 192 pollutants, in the Los Angeles River, Ballona Creek, the Santa Monica Bay shoreline, Dominguez Channel, Marina Del Rey, and several lakes within the City. The City will likely become

responsible for more TMDLs in the coming years. The TMDL compliance deadlines are spread out through 2037.

The MS4 permit allows the responsible agencies the option of working together to develop and implement Watershed Management Programs (“WMPs”) to address permit and TMDL requirements. As the requirements of the MS4 permit cross multiple local jurisdictions, the City collaborated with other participating agencies on the development of the WMPs, which were approved by the LARWQCB in 2016.

Non-compliance with the MS4 permit and applicable TMDLs could result in enforcement action by the LARWQCB, civil penalties and fines, and potentially third-party lawsuits. For example, under State law, the LARWQCB may levy administrative fines of up to \$10,000 per pollutant per day of violation and impose mandatory minimum penalties of \$3,000 per pollutant per day of violation. In addition, under federal law, the LARWQCB may seek civil liabilities of up to \$53,484 per pollutant per day, reflecting an increase in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. Additionally, private citizens or the EPA can pursue penalties if the LARWQCB does not enforce on a violation. The City is responsible for its own fines, penalties and costs incurred as a result of non-compliance.

The City is currently in substantial compliance with the MS4 permit, but requires significant funding for capital, and operation and maintenance costs to implement the WMPs necessary to meet the current TMDL compliance deadlines and its minimum control measures established by the MS4 permit. The City has partially funded the monitoring and reporting programs required by the MS4 permit by using existing Stormwater Pollution Abatement Funds (primarily funded by a charge on property) and by implementing cost sharing agreements between other municipalities. Unless relief is granted, the City could potentially face fines for failing to meet the TMDL milestones that will take effect by 2026.

While the MS4 permit has safe harbor provisions whereby the City was previously deemed in compliance with the TMDLs during the development of the WMPs, in February 2022, the LARWQCB advised the City that three of its watersheds— Santa Monica Bay, Upper Los Angeles River and Ballona Creek— have lost their deemed compliance status. The City is coordinating with the surrounding municipalities and the LARWQCB to determine compliance implications and a proposed path forward.

The City’s share of the costs of the approved WMP projects required to meet the TMDLs through 2037 is estimated by the LARWQCB to be approximately \$8 billion. Estimating project costs over such a long time period is inherently difficult and no assurance can be provided by the City that LARWQCB’s projections are accurate.

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

The City has budgeted \$32 million from this source in the 2022-23 Adopted Budget and received \$36.4 million in 2021-22. In addition, the City competes for project funding from the Measure W Regional Program administered by the LACFCD. Under the regional program, the City (Bureau of Sanitation, Bureau of Street Services, and the Department of Water and Power) has secured funding totaling \$212.9 million over the next seven years for capital improvement projects, operations and maintenance, and scientific studies.

As the regional program progresses, the City anticipates approximately \$10 million to \$20 million annually in regional returns.

In November 2004, the City of Los Angeles voters passed Proposition O, the Clean Water General Obligation Bond, authorizing the sale of \$500 million in general obligation bonds to finance projects that protect public health by cleaning up pollution in the City's rivers, lakes, and beaches. To date, the City has issued \$439.5 million in general obligation bonds for Proposition O and has \$60.5 million remaining in authorized but unissued authority, and expects to leverage bond proceeds to support Measure W projects seeking regional funding.

Hyperion Water Reclamation Plant Sewage Spill. On July 11, 2021, the City's major wastewater treatment plant (the Hyperion Water Reclamation Plant (the "Plant")) Headworks screening facility experienced a major raw sewage spill. The Plant's relief system was triggered and sewage flows entered the Plant's one-mile outfall, discharging of over 12.5 million gallons of untreated sewage into the Santa Monica Bay. The Plant suffered major damage to critical equipment and vehicles. Normal Plant operations resumed on October 22, 2021, following months of cleanup and restoration.

Several lawsuits (*Mecklenburg v. Hyperion Water Reclamation Plant, Abdelnur, Katarina et al. v. City of Los Angeles, Konig, Joshua v. City of Los Angeles, and Ace American Insurance v. City of Los Angeles*) have been filed against the City in connection with this incident. All the lawsuits have been determined to be related by the court. It is still too early in the litigation process to evaluate the likelihood of an unfavorable outcome to the City or the amount or range of potential liability. In addition, there are fees and fines that have been proposed by regulatory agencies in connection with this incident. On March 29, 2023, the Los Angeles Regional Water Quality Control Board filed an administrative complaint alleging a penalty of over \$21.7 million. In addition, the City is aware of other proposed penalties by regulatory agencies totaling upwards of \$30 million. All proposed penalty amounts are not final and still under discussion with the respective regulatory agencies. There may be other regulatory fees and fines proposed, or other action taken, in the future. The City cannot determine at this time the full extent of the financial impact of this incident as costs resulting from any litigation or action taken by regulatory agencies and other incidental costs/damages are currently unknown but such amounts could be substantial. It is expected that any financial impact would be limited to the City's wastewater enterprise fund. The City, nonetheless, cannot provide any assurances that this incident and resulting matters would not have an impact on the General Fund.

Solid Waste Organics Diversion

Beginning January 1, 2022, State law (SB 1383) implements requirements for the reduction of organic waste disposal (e.g., food waste, green waste, paper products) by 75 percent by 2025 (from 2014 levels).

Current estimates are that the more intensive processing costs of composting and anaerobic digestion of comingled organics will increase the cost of disposal from \$60 to \$125 per ton. The phased implementation of the organics program is anticipated to cost an additional \$21.4 million in disposal tip fees for Fiscal Year 2022-23. With full implementation the following year (2023-24), the tip fee budget is anticipated to increase by another \$34.3 million. In addition to tip fees, staff, equipment, information technology, public outreach and other expenses are also required to implement the program.

Currently, the City's refuse collection fees do not fully support the solid waste operation, with the General Fund budgeted to provide approximately \$64 million in funding for Fiscal Year 2022-23. Unless recovered through increased refuse collection fees, the costs of the organics reduction program would be borne by the City's General Fund.

2028 Olympic and Paralympic Games

The City has been selected by the International Olympic Committee (“IOC”) as the host city for the 2028 Olympic and Paralympic Games (“2028 Games”). The local host committee is named the Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 (“LA 2028”). As a condition of the City’s selection, the City entered into a Host City Contract (“HCC”) with the United States Olympic Committee (“USOC”) and the IOC that identifies contractual commitments of the parties relating to insurance, indemnification, event requirements, operations, deliverables, efforts to cooperate, and financial obligations of the parties. The HCC includes an advance payment from the IOC in the amount of \$180 million paid over five years to LA 2028 to support operations.

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

In adopting the HCC, the City has guaranteed that it will cover any potential financial shortfall of LA 2028 in its delivery of the Games, including potential refunds to the IOC of any advance payments to LA 2028 by the IOC in the event of a contingency such as a full or partial cancellation of the Games. To mitigate the City’s financial risk associated with the 2028 Games budget and its HCC guarantee to cover financial shortfalls, a Games Agreement has been established to memorialize the relationship, roles and responsibilities between the City and LA 2028. The Games Agreement specifies several financial and risk management protections to the City, reporting and transparency requirements, and other actions governing administration of the 2028 Games, including but not limited to:

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

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

Federal Public Corruption Matters

As part of an on-going public corruption investigation of City elected officials and staff members conducted by the Federal Bureau of Investigations and the United States Attorney's Office, two City Councilmembers were indicted, resigned or suspended from the City Council, and have plead guilty. Mitchell Englander resigned his City Council seat in December 2018 and pled guilty in connection with the investigation in June 2020. Mr. Huizar was suspended from office in June 2020 and plead guilty in January 2023. Eight additional defendants have been charged as a result of the federal investigation, including two former officials of the City, one of whom has plead guilty. The City cannot predict the outcome of these investigations.

Hotel Initiative Petition

In July 2022, an initiative petition was qualified to submit a proposed ordinance to a vote of the electors of the City at the March 2024 election. The proposed ordinance, if passed by the voters, would require, among other things and subject to certain exemptions and waivers, a hotel development project of 100 or more rooms to obtain a land use permit based on factors including the market demand for the project and the project's impact on affordable housing, transit, social services, employees, and local businesses, a hotel development project of 15 or more rooms to replace demolished or converted housing with an equivalent amount of affordable housing at or near the project site, and special police permits for hotels. The proposed ordinance would also create a program, subject to funding availability, to place unhoused individuals in vacant hotel rooms, and hotels would be prohibited from refusing lodging to program participants. The proposed ordinance would create a "Hotel Voucher Program" that would require the City Housing Department to administer a program that uses pre-paid vouchers to place unhoused individuals and families in vacant rooms in hotels or similar establishments. The proposed ordinance has no designated source of funding. The City would be required under the proposed ordinance to pay fair market value or a price negotiated between the Housing Department and the hotel and to waive transient occupancy taxes on persons who pay for a hotel room through this Hotel Voucher Program.

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

LITIGATION

The City is routinely a party to a variety of pending and threatened lawsuits and administrative proceedings that may affect the General Fund of the City. The City is required to accrue liabilities arising from claims, litigation and judgments when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. See "BUDGET AND FINANCIAL OPERATIONS — Risk Management and Retention Program." The following list of certain recently completed, pending or threatened lawsuits and proceedings involving the City was prepared by the Office of the City Attorney, and includes matters that, if determined in a final and conclusive manner adverse to the City, may, individually or in the aggregate, materially affect the General Fund's financial position.

1. Federal Accessibility Law Matters.

False Claims Act Claim

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

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

If the DOJ is successful in its suit, the City could face potential exposure to treble damages calculated based on the City's receipt of Community Development Block Grant ("CDBG"), HOME Investment Partnership, and Housing Opportunities for People with AIDS ("HOPWA") funds from February 2005 through August 2019, as well as related civil penalties, which, based on the private parties' original complaint, is estimated to be approximately \$3 billion. However, the City disputes (1) any assertion that, as a matter of law, the City's certifications signed as part of these entitlement programs are subject to the FCA; (2) that any conduct by the City otherwise met the high standard for imposing FCA liability; (3) that there is a factual basis for treble damages calculated from the total of these receipts, even if the Court otherwise found the City liable; and (4) that there is any legal basis for DOJ to bring the state common law claims against the City. The City is vigorously defending its interests in this matter. Due to the preliminary nature of the matter, an estimable liability amount is difficult to ascertain at this time.

HUD Investigation

During three visits in late 2011, HUD's Office of Fair Housing and Equal Opportunity ("HUD FHEO") purportedly reviewed the City's compliance with the Americans With Disabilities Act ("ADA") and other federal accessibility laws as part of HUD FHEO's oversight of the City's receipt of federal funds from HUD, which the City uses to fund housing developments.

On August 2, 2019, the City and HUD entered into a Voluntary Compliance Agreement ("VCA"). The VCA addresses the same alleged deficiencies and conduct underlying DOJ's claims against the City in connection with its compliance certifications under the FCA. Under the VCA, the City committed to spend no less than \$20 million per year for the next ten years to correct accessible deficiencies in its City funded housing developments to the extent such remediation costs are not covered under the Independent Living settlement discussed below. As a result of the City's execution of the VCA, the Civil Rights Division of DOJ has notified the City that it has terminated its investigation of the City's alleged noncompliance with federal accessibility laws.

Independent Living Center of Southern California, et al. v. City of Los Angeles

This case was brought by three fair housing advocacy organizations against the City, CRA/LA, and 34 owners of affordable housing projects. The City settled the matter with the plaintiffs on August 30, 2016. Under the terms of the settlement, the City will spend approximately \$200 million dollars over 10 years to provide 4,000 additional housing units compliant with federal accessibility requirements. To reach this goal, the City will either remediate existing housing units that are not currently in compliance with federal accessibility requirements or construct new housing units compliant with federal accessibility requirements. The City also agreed to pay the following: (a) \$4.5 million in damages to the plaintiffs, (b) \$16 million in attorneys' fees, (c) approximately \$750,000 in plaintiffs' attorneys' costs, and (d) \$6,000,000 in court appointed monitor fees. The terms under this settlement agreement largely overlap with the construction and remediation obligations, required of the City under the VCA described above. However, to account for additional costs associated with the monitoring of the terms of the settlement, in late 2019 the court required the parties to meet and confer on increasing these fees. In October 2020, the City Council approved an additional increase in the court-appointed monitor fee of \$606,000 for the initial three years of the ten-year settlement term. The cost of this increase to the City is partially offset by \$427,000 in savings from Fiscal Year 2018-19. In October 2020, the City Council also approved an additional \$3,578,000 in attorneys' fees for monitoring the last seven years of the settlement term. This amount has been increased by an additional \$1.55 million for Fiscal Year 2022-23 with the addition of a new monitor.

2. Clear Channel Outdoor, Inc.

Clear Channel filed a Claim for Damages, dated February 1, 2018, for an amount in excess of \$100 million arising from a federal appellate court decision invalidating a settlement agreement between the City and certain outdoor advertising companies (the “Summit Media Decision”). The claim alleges: (i) violation of the City’s representations and warranties in the settlement agreement that the conversions of its existing signs to digital technology did not violate the City’s regulations, and that (ii) just compensation is due under the California Outdoor Advertising Act. The City denied the claim by letter dated March 1, 2018. The parties’ most recent tolling agreement extension expired on February 1, 2023; as a result, the statute of limitation started to run on February 1, 2023.

3. CBS Outdoor.

CBS Outdoor filed a Claim for Damages on May 13, 2013, for an amount stated to be in excess of \$1 million arising from the Summit Media Decision, for damages, lost revenue, attorneys’ fees, restitution and costs. The City denied the Claim by letter dated June 8, 2013. The parties’ most recent tolling expired on January 1, 2020. CBS Outdoor has four years to file suit. A suit has yet to be filed.

4. Brewster v. City of Los Angeles.

On or about November 2, 2014, plaintiffs filed a putative class action in Federal District Court for damages pursuant to 42 U.S.C. § 1983. The complaint alleged that the City violated the plaintiffs’ rights under the Fourth Amendment of the U.S. Constitution, and related state laws, by impounding vehicles without a warrant for 30 days pursuant to Vehicle Code section 14602.6.

On December 26, 2014, the City filed a motion to dismiss the plaintiffs’ complaint. The Federal District Court granted the City’s motion to dismiss the complaint on March 19, 2015. Plaintiffs appealed the Federal District Court’s dismissal to the Ninth Circuit Court of Appeals. On June 21, 2017, the Ninth Circuit Court of Appeals reversed the District Court’s decision to dismiss the complaint. The City sought review of the Ninth’s Circuit’s decision with the U.S. Supreme Court. On March 19, 2018, the U.S. Supreme Court denied the City’s request. The District Court heard arguments on the motion for class certification on September 21, 2020. On August 5, 2021, the District Court granted plaintiff’s motion for class certification in part and denied the motion in part. The District Court certified two classes and denied the certification of a third. Plaintiffs filed a motion of reconsideration with respect to the third class on August 17, 2021. The City, in turn, filed a motion to contesting the certification of the third class and certification of the other two classes. On July 27, 2022, the District Court denied both Plaintiffs’ motion to certify the third class and City’s motion to decertify the other two classes. The parties have filed respective motions for summary judgment. The hearing date on the motions is scheduled for April 17, 2023. The potential exposure to the City in the event of an adverse conclusion to the certification of the two classes could be approximately \$25 million.

5. Blue Cross of America v. City of Los Angeles.

On March 30, 2017, Blue Cross filed a protective tax refund complaint of business taxes paid for tax year 2015, under Article XIII, Section 28 of the California Constitution. In October 2017, Blue Cross filed a supplemental claim (together with the 2017 complaint, the “Blue Cross Action”) seeking additional refunds of business taxes paid for tax years 2016 through 2023, inclusive. Blue Cross’ protective refund action arises out of a separate action in Los Angeles County Superior Court, entitled *Michael D. Myers v. State Board of Equalization, et al.* (BS143436). *Myers* proceeded under a California statute that permitted an individual taxpayer to sue a governmental agency when the taxpayer believes the agency has failed to enforce governing law.

One of the issues to be resolved in *Myers* is whether Blue Cross is an “insurer” for purposes of California tax law and therefore required to pay a gross premiums tax in lieu of a corporate franchise tax. Following an

adverse appellate court ruling, which concluded that the matter should be first adjudicated at the trial court, on April 2, 2019, Blue Cross filed a request to the California Supreme Court to resolve the question of whether Blue Cross is an “insurer” under the California Constitution. The California Supreme Court denied the appeal on May 15, 2019. Due to COVID-19, the trial was rescheduled from July 2020 to January 2021. On February 21, 2021, the trial court, in a judgment, determined that Blue Cross was not an “insurer.” On March 21, 2021, the plaintiffs filed a notice of appeal. The plaintiffs’ appeal was denied and the matter is before the trial court for further pleadings. In the event that Blue Cross is determined to be an “insurer” upon final adjudication of the issue, it would likely be entitled to a refund of previously paid City business taxes. The refund is estimated to be approximately \$73 million (inclusive of interest), as computed through the end of 2023, plus attorney’s fees.

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

On September 27, 2017, the plaintiffs filed a class action claim in Superior Court alleging the franchise fee collected by the City from private commercial waste haulers for the rights to service commercial and multi-family buildings should be treated as taxes under Proposition 218, and therefore require voter approval. The plaintiffs asserted two causes of action: (1) a refund of the franchise fees, and (2) a declaration that the franchise fees are taxes. On November 2, 2020, the City filed a motion for summary judgment on both causes of action; that same date, the plaintiffs filed a motion for summary adjudication of the second cause of action. On March 16, 2021, the Court granted the City’s motion for summary judgment, holding that the plaintiffs lacked standing to bring both causes of action. On the same date, the Court also denied the plaintiffs’ motion for summary adjudication. On April 6, 2021, judgment was entered in the City’s favor. On June 2, 2021, the plaintiffs filed a notice of appeal. Oral argument took place on December 8, 2022. On December 28, 2022, the Court of Appeal reversed the judgment, relying on a recent California Supreme Court decision in *Zolly v. City of Oakland* (2022) 13 Cal.5th 780, which addressed a similar challenge to waste hauling franchise fees paid to the City of Oakland. In *Zolly*, the California Supreme Court found that the plaintiffs had standing to challenge the franchise fees. The Court of Appeal expressed no opinion on the underlying substantive issues, and the matter was remanded back to Superior Court for further adjudication. Due to the unsettled nature of the law, an assessment of liability, if any, is difficult to ascertain. However, if the City loses, it could be required to pay back all franchise fees collected to date by the General Fund, and to cease collection of the franchise fees going forward. From Fiscal Year 2016-17 through Fiscal Year 2021-22, the City collected approximately \$220 million in these franchise fees. The City expects to continue to collect approximately \$45 million annually of these franchise fees during the pendency of the litigation, the timeframe of which remains uncertain. See Table 13 under the caption “MAJOR GENERAL FUND REVENUE SOURCES.”

7. *LA Alliance for Human Rights et al. v. City of Los Angeles et al.*

On March 10, 2020, the plaintiffs filed suit against the City and the County of Los Angeles (“County”) for violating various State and Federal laws in connection with homeless individuals. The plaintiffs contend that the County and the City have not made sufficient progress in providing housing and other services to the homeless population. Such failure has resulted in impassable sidewalks and exposed the public to health risks, environmental hazards, increased crime, and untreated mental illness and addiction. The plaintiffs demand that the Defendants provide immediate shelter for all homeless individuals to abate the degradation of the cities and communities.

On May 15, 2020, the US District Court of Central District of California (“District Court”) issued a preliminary injunction requiring the City and the County to relocate and shelter approximately 6,000 to 7,000 homeless individuals living near freeway overpasses, underpasses, and ramps. Of that number, approximately 3,000 to 4,000 were found in the City. Under the order, the City, together with the County, were required to shelter or provide alternative housing to these homeless individuals in facilities that were safe, humane, hygienic, and public health compliant. The injunction was to be effective on May 22, 2020. The District Court stayed its order on May 22, 2020 pending the review of an alternative shelter and relocation plan submitted by the City and County. On June 18, 2020, the City and County entered into an agreement to memorialize an alternative shelter and relocation plan, subject to court approval and monitoring. Under the agreement, the City agreed to

provide 6,700 shelter beds, permanent supporting housing units, safe parking spaces and other interventions (collectively, “beds” or “interventions”) to shelter homeless individuals. Of that number, 6,000 would be additional new beds to be available from the date of the agreement, as follows: 5,300 beds within 10 months and 700 beds within 18 months. On June 18, 2020, the District Court approved the agreement and vacated the preliminary injunction. As of December 31, 2021, the City opened 6,566 new beds and 754 other interventions from existing agreements. Apart from the costs to provide such beds and interventions, the City estimates that the annual cost of operations and services for this population is \$104 million, of which the County has agreed to pay the City approximately \$60 million per year for five years. The City has committed to fund the remaining half of the estimated annual operations and services costs. Such costs will total approximately \$300 million over five years.

On April 1, 2022, the City and the plaintiffs filed a notice with the District Court indicating they had reached a potential settlement framework. Under the proposed settlement, the City would agree to create shelter or housing to accommodate 60 percent of unsheltered persons experiencing homelessness (“PEH”) in the City. As in the City’s June 18, 2020 settlement, the City may choose, at its sole discretion, any housing or shelter solution, including but not limited to tiny homes; shared housing; purchased or master leased apartments, hotels/motels, or other buildings; congregate shelters; permanent supporting housing; rental assistance/rapid rehousing; family reunification; sprung structures or tents; safe parking; safe sleeping/camping; interim housing, etc. The 60 percent of PEH will be measured against the Los Angeles Homeless Services Authority (“LAHSA”), a joint powers authority formed by the City and the County, 2022 Point In Time Count of those unsheltered PEH in the City who can reasonably be assisted by the City (meaning such persons do not suffer from serious mental illness and are not chronically homeless with a substance use disorder or chronic physical illness or disability requiring the need for professional medical care and support). Based on LAHSA’s 2022 count, such proposed settlement framework will require approximately 13,000 new interventions (e.g. interim housing beds, time-limited subsidies, permanent supportive housing units, etc.) for which total capital and operating costs could be as high as \$3 billion during the five year period. Such estimates do not include the new beds that were agreed to be provided, or related costs, under the City’s June 18, 2020 agreement. On June 14, 2022, the District Court issued a ruling approving the proposed settlement between the City and the plaintiffs. In its order, the District Court retained jurisdiction for a period of five years to enforce the terms of the settlement and appointed a special master to assist the District Court to monitor and enforce the terms of the settlement. On July 13, 2022, the homeless rights advocates who intervened in the case filed a notice of appeal, indicating they intend to ask the Ninth Circuit Court of Appeals to invalidate the settlement agreement and overturn the District Court’s order dismissing the City, which, if successful, would reinstate the litigation against the City. Parties are briefing the matter and oral arguments, if scheduled, are expected to occur in the fall of 2023.

The majority of the funding under this settlement, if upheld, is expected to be provided by the City’s Proposition HHH general obligation bonds and other available funding. Any additional financing that would be needed has yet to be identified, but could come from other government sources including the County, State, and federal agencies.

8. *GHP Management et al. v. City of Los Angeles et al.*

On August 27, 2021, the City was served with a lawsuit, in District Court, that alleges that the City’s COVID-19 eviction moratorium constituted an uncompensated governmental taking in violation of the U.S. and California Constitutions. The moratorium, plaintiffs claim, has permitted their tenants to abstain from remitting any rental payments while continuing to reside in the rental units. They seek damages in the form of unpaid rents, interest, and attorneys’ fees. The City filed a motion to dismiss the complaint on October 18, 2021, and a hearing for the motion was heard on January 24, 2022. On November 18, 2022, the court granted the City’s motion to dismiss the complaint with leave for the plaintiffs to amend. The plaintiffs appealed and the parties are briefing the matter. Oral arguments would likely be scheduled in late 2023.

9. *Black Lives Matter et al. v. City of Los Angeles et al.*

On or about July 7, 2020, the City was served with a class action lawsuit alleging that the Los Angeles Police Department violated the Federal and State Constitutional rights of protestors and rioters during its response to quell civil unrest in late May and early June 2020. The protests and riots were part of the nationwide movement following the deaths of George Floyd, from the actions of four officers of the Minneapolis Police Department, and Breonna Taylor, shot by Louisville Metro Police Department officers. The lawsuit was filed in Federal District Court. The lawsuit seeks class certification, injunctive relief and unspecified damages. The court issued an injunction against the City which limited LAPD's use to less lethal munitions in public protest situations. Due to the preliminary nature of the lawsuit, an estimable liability amount cannot be determined. However, in the event of an adverse ruling, the City's liability may be approximately \$50 million.

In addition to the cases listed above, the following lawsuit has been filed challenging the City's actions relative to freezing OPEB Benefits for sworn employees. See "RETIREMENT AND PENSION SYSTEMS—Fire and Police Pension Plan," below.

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

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

On August 10, 2017, the Los Angeles Police Protective League filed an additional lawsuit against the LAFPP Board and the City in Los Angeles County Superior Court. The complaint, as supplemented, alleges that the Board should have raised the retiree subsidy to the maximum amount of 7 percent for the fiscal year beginning July 1, 2017, rather than the 6 percent then awarded and for the fiscal years thereafter. This case has been consolidated with the case discussed above. In October 2021, the court conducted a three-day trial. On May 2, 2022, the court ruled that the letter of agreement did not require the City (through the LAFPP Board) to grant the unions the maximum possible increase in the retiree medical subsidy. Rather, the LAFPP Board retained the discretion on the amount of any increase. LAFPP filed a notice of appeal. The appeal should be heard sometime in 2023. Notwithstanding, the second case concerning whether the LAFPP Board abused its discretion in the years it did not grant the maximum possible increase has been stayed by the trial court pending the appeal of the trial court's ruling on the discretionary increase question. The timeframe in which the discretion issue will be adjudged will be dependent upon the outcome of the appeal. If LAFPP is successful in its appeal, a new trial may result and render the discretion issue moot.

RETIREMENT AND PENSION SYSTEMS

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

The Pension Systems provide retirement, disability, death benefits, post-employment healthcare and annual cost-of-living adjustments to plan members and beneficiaries. Both Pension Systems are funded pursuant

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

The actuarial valuations for both Pension Systems are prepared on an annual basis and the applicable actuary recommends contribution rates for the fiscal year beginning after the completion of that actuarial valuation. The Pension Systems' annual valuations determine the contribution rate, as a percentage of covered payroll, needed to fund the normal retirement costs accrued for current employment and to amortize any unfunded actuarial accrued liability ("UAAL"). The UAAL represents the difference between the present value of estimated future benefits accrued as of the valuation date and the actuarial value of assets currently available to pay these liabilities. The valuation for each plan is an estimate based on relevant economic and demographic assumptions, with the goal of determining the contributions necessary to sufficiently fund over time the benefits for currently active, vested former and retired employees and their beneficiaries.

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

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

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

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

Examples of key risks that are particularly relevant to the Pension Systems are investment risk and longevity and other demographic risks. Among other things, the reports consider the cost to the City of alternative earning scenarios from investments. Since the funded ratio, UAAL, and the employer contribution rates have fluctuated as a result of deviation in investment experience in past valuations, the Pension Systems'

actuary has examined the risk associated with earning either higher or lower than the assumed investment rate in future valuations.

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

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

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

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

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

This section, "RETIREMENT AND PENSION SYSTEMS," is primarily derived from information produced by LACERS and LAFPP and their independent actuaries. The City has not independently verified the information provided by LACERS and LAFPP. The comprehensive annual financial reports of the individual Pension Systems, actuarial valuations for retirement and health benefits, and other information concerning LACERS and LAFPP are available on their websites, at www.lacers.org/aboutlacers/reports/index.html and www.lafpp.com/financial-reports, respectively. Information set forth on such websites is not incorporated by reference herein. For additional information regarding the Pension Systems, see also Note 5 in the "Notes to the City's Basic Financial Statements" in the City's ACFR for the Fiscal Year Ended June 30, 2022.

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

Los Angeles City Employees' Retirement System ("LACERS"). LACERS, established in 1937 under the Charter, is a contributory plan covering civilian employees other than employees of DWP and those Airport Peace Officers not participating in LAFPP. As of June 30, 2022, the date of its most recent actuarial valuation, LACERS had 24,917 active members, 22,399 retired members and beneficiaries, and 10,379 inactive members

(members with a vested right to a deferred or immediate benefit or entitled to a return of their member contributions).

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

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

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

In 2012, the Council adopted a new civilian retirement tier ("Tier 2"), which applied to all employees hired on or after July 1, 2013. Subsequently, as part of an agreement with the Coalition of LA City Unions, both the City and the Coalition agreed to transfer all Tier 2 employees into Tier 1 effective February 21, 2016. Any new employee hired into a position eligible for LACERS membership on or after February 21, 2016, unless eligible for Tier 1 membership under specific exemptions, is enrolled in a new "Tier 3." Based on the actuarial valuation as of June 30, 2022, approximately 67 percent of the system's active membership was Tier 1 members and 33 percent was comprised of Tier 3 members.

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

Table 43
COMPARISON OF LACERS TIER I AND TIER III PLAN DESIGNS

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

⁽¹⁾ Does not reflect Tier 1 Enhanced Benefits for approximately 500 Airport Peace Officers.
Source: City of Los Angeles, Office of the City Administrative Officer.

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

Table 44
LOS ANGELES CITY EMPLOYEES’ RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
(\$ in thousands)⁽¹⁾

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL⁽²⁾</i>	<i>Funded Ratio⁽³⁾</i>	<i>Covered Payroll⁽⁴⁾</i>	<i>UAAL as a Percentage of Covered Payroll⁽⁵⁾</i>
2013	\$10,223,961	\$14,881,663	\$4,657,702	68.7%	\$1,846,970	252.2%
2014	10,944,751	16,248,853	5,304,103	67.4	1,898,064	279.5
2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5
2020	15,630,103	22,527,195	6,897,093	69.4	2,445,017	282.1
2021	16,660,585	23,281,893	6,621,308	71.6	2,254,165	293.7
2022	17,649,268	24,078,751	6,429,483	73.3	2,258,725	284.7

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

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

For the Retirement Plan, the rate generally increased between the June 30, 2012 and the June 30, 2022 valuations, from 21.3 percent to 30.4 percent, primarily due to the amortization of UAAL increases from unfavorable investment experience and changes in actuarial assumptions. While there have also been increases in the normal cost rates due to the changes in the actuarial assumptions, those increases were offset to some degree by plan changes (the introduction of Tier 3) as new members have been enrolled in the lower cost benefit tier since February 21, 2016. Furthermore, an additional employee contribution (becoming 4 percent for all affected employees effective January 1, 2013) was implemented by the City for certain bargaining groups and for all non-represented employees. For the Health Plan, the non-investment experience (primarily lower than projected medical premiums and subsidies) has had the most impact of modestly declining contribution rates, from 5.7 percent in 2012 to 4.1 percent in 2022.

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

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

<i>Actuarial Valuation As of June 30</i>	<i>Market Value Of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded Liability⁽²⁾</i>	<i>Funded Ratio (Market Value)⁽³⁾</i>	<i>Covered Payroll⁽⁴⁾</i>	<i>Unfunded Liability As a Percentage of Covered Payroll (Market Value)⁽⁵⁾</i>
2013	\$10,154,486	\$14,881,663	\$4,727,177	68.2%	\$1,846,970	255.9%
2014	11,791,079	16,248,853	4,457,774	72.6	1,898,064	234.9
2015	11,920,570	16,909,996	4,989,426	70.5	1,907,665	261.5
2016	11,809,329	17,424,996	5,615,667	67.8	1,968,703	285.2
2017	13,180,516	18,458,188	5,277,672	71.4	2,062,316	255.9
2018	14,235,231	19,944,579	5,709,348	71.4	2,177,687	262.2
2019	14,815,593	20,793,421	5,977,828	71.3	2,225,413	268.6
2020	14,932,404	22,527,195	7,594,791	66.3	2,445,017	310.6
2021	18,918,136	23,281,893	4,363,757	81.3	2,254,165	193.6
2022	17,013,091	24,078,751	7,065,660	70.7	2,258,725	312.8

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

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

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

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

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL⁽¹⁾</i>	<i>Funded Ratio⁽²⁾</i>	<i>Covered Payroll⁽³⁾</i>	<i>UAAL as a Percentage of Covered Payroll⁽⁴⁾</i>
2013	\$1,734,733	\$2,412,484	\$677,751	71.9%	\$1,846,970	36.7%
2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0
2015	2,108,925	2,646,989	538,065	79.7	1,907,665	28.2
2016	2,248,753	2,793,689	544,935	80.5	1,968,703	27.7
2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4
2020	2,984,424	3,486,531	502,107	85.6	2,445,017	20.5
2021	3,330,377	3,520,078	189,701	94.6	2,254,165	8.4
2022	3,472,956	3,580,696	107,741	97.0	2,258,725	4.8

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

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

(3) Annual pensionable payroll against which UAAL amortized.

(4) UAAL divided by Covered Payroll.

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

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

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

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

⁽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. Because investment returns for LACERS were lower than anticipated in Fiscal Year 2021-22, the actual contribution amounts may be higher than the projected amounts set forth in the following table.

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

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

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

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

⁽³⁾ Reflects combined rates for all benefit tiers.

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

Los Angeles Fire and Police Pension Plan (“LAFPP”). The LAFPP, established in 1899 and incorporated into the Charter in 1923, represents contributory plans covering uniformed fire, police, and some Department of Harbor and some Department of Airports police. As of June 30, 2022, the date of its most recent actuarial valuation, the LAFPP had 12,771 active members (including 123 in Harbor and 92 in Airport), 13,821 retired members and beneficiaries, and 633 vested former members.

Six tiers of benefits are provided, depending on the date of the member’s hiring. No active members are in Tier 1, while Tier 2 had only 4 active members as of June 30, 2022, although both tiers have beneficiaries. Sixty percent of active members are in Tier 5, and 35 percent are in Tier 6.

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

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

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

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

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

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>UAAL⁽²⁾</i>	<i>Funded Ratio⁽³⁾</i>	<i>Covered Payroll⁽⁴⁾</i>	<i>UAAL as a Percentage of Covered Payroll⁽⁵⁾</i>
2013	\$14,657,713	\$17,632,425	\$2,974,712	83.1%	\$1,367,237	217.6%
2014	15,678,480	18,114,229	2,435,749	86.6	1,402,715	173.6
2015	16,770,060	18,337,507	1,567,447	91.5	1,405,171	111.5
2016	17,645,338	18,798,510	1,153,172	93.9	1,400,808	82.3
2017	18,679,221	20,411,024	1,731,803	91.5	1,475,539	117.4
2018	19,840,070	21,364,804	1,524,734	92.9	1,546,043	98.6
2019	21,037,711	22,474,125	1,436,414	93.6	1,583,808	90.7
2020	22,106,722	23,727,315	1,620,593	93.2	1,670,245	97.0
2021	23,689,349	24,461,267	771,918	96.8	1,684,785	45.8
2022	25,146,787	25,670,766	523,979	98.0	1,664,318	31.5

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

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

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

(4) Projected annual payroll against which UAAL amortized.

(5) UAAL divided by covered payroll.

Source: LAFPP Actuarial Valuations and Review of Retirement and Other Post-Employment Benefits as of June 30, 2022.

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

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

<i>Actuarial Valuation As of June 30</i>	<i>Market Value Of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded (Overfunded) Liability⁽²⁾</i>	<i>Funded Ratio (Market Value)⁽³⁾</i>	<i>Covered Payroll⁽⁴⁾</i>	<i>Unfunded Liability As a Percentage of Covered Payroll (Market Value)⁽⁵⁾</i>
2013	\$14,729,976	\$17,632,425	\$2,902,449	83.5%	\$1,367,237	212.3%
2014	16,989,705	18,114,229	1,124,525	93.8	1,402,715	80.2
2015	17,346,554	18,337,507	990,953	94.6	1,405,171	70.5
2016	17,104,276	18,798,510	1,694,234	91.0	1,400,808	120.9
2017	18,996,721	20,411,024	1,414,303	93.1	1,475,593	95.8
2018	20,482,133	21,364,804	882,671	95.9	1,546,043	57.1
2019	21,262,200	22,474,125	1,211,925	94.6	1,583,808	76.5
2020	21,396,933	23,727,315	2,330,382	90.2	1,670,245	139.5
2021	27,862,307	24,461,267	(3,401,040)	113.9	1,684,785	(201.9)
2022	25,258,536	25,670,766	412,230	98.4	1,664,318	24.8

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

(2) Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a deficit.

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

(4) Projected annual payroll against which liability is amortized.

(5) UAAL divided by covered payroll.

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

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

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

<i>Actuarial Valuation As of June 30</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded UAAL⁽¹⁾</i>	<i>Funded Ratio⁽²⁾</i>	<i>Covered Payroll⁽³⁾</i>	<i>Unfunded UAAL As a Percentage of Covered Payroll⁽⁴⁾</i>
2013	\$1,013,400	\$2,633,793	\$1,620,393	38.5%	\$1,367,237	118.5%
2014	1,200,874	2,783,283	1,582,409	43.1	1,402,715	112.8
2015	1,344,333	2,962,703	1,618,370	45.4	1,405,171	115.2
2016	1,480,810	3,079,670	1,598,860	48.1	1,400,808	114.1
2017	1,637,846	3,322,746	1,684,900	49.3	1,475,539	114.2
2018	1,819,359	3,547,777	1,728,417	51.3	1,546,043	111.8
2019	2,016,202	3,590,023	1,573,821	56.2	1,583,808	99.4
2020	2,214,552	3,709,858	1,495,307	59.7	1,670,245	89.5
2021	2,455,726	3,793,174	1,337,448	64.7	1,684,785	79.4
2022	2,710,079	3,649,332	939,253	74.3	1,664,318	56.4

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

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

(3) Projected annual payroll against which UAAL amortized.

(4) UAAL divided by covered payroll.

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

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

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

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

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

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

Historically, plan members did not contribute to offset the City's costs of retiree healthcare subsidy benefits, as all such costs were funded from the employer's contribution and investment returns thereon. In

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

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

The table below illustrates the City’s projected contributions to LAFPP for the next four fiscal years based on projected rates from the LAFPP’s consulting actuary applied against projected payroll by the CAO. Because investment returns for LAFPP were lower than anticipated in Fiscal Year 2021-22, the actual contribution amounts may be higher than the projected amounts set forth in the following table.

Table 53
LOS ANGELES FIRE AND POLICE PENSION PLAN
PROJECTED CONTRIBUTIONS⁽¹⁾
(\$ in thousands)

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

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

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

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 2022 population of 3.82 million. Los Angeles is the principal city of a metropolitan region stretching from the City of Ventura to the north, the City of San Clemente to the south, the City of San Bernardino to the east, and the Pacific Ocean to the west.

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

History

Founded in 1781, Los Angeles was for its first century a provincial outpost under successive Spanish, Mexican and American rule. Incorporated in 1850 under the provisions of a City Charter, the City experienced a population boom following its linkage by rail with San Francisco in 1876. Los Angeles was selected as the Southern California rail terminus because its natural harbor seemed to offer little challenge to San Francisco, home of the railroad barons. But what the region lacked in commerce and industry, it made up in temperate climate and available real estate, and soon tens and then hundreds of thousands of people living in the Northeastern and Midwestern United States migrated to new homes in the region. Agricultural and oil production, followed by the creation of a deep-water port, the opening of the Panama Canal, and the completion of the City-financed Owens Valley Aqueduct to provide additional water, all contributed to an expanding economic base. The City's population climbed to 50,000 persons in 1890, and had swelled to 1.5 million persons by 1940. During this same period, the automobile became the principal mode of American transportation, and the City developed as the first major city of the automotive age. Following World War II, the City became the focus of a new wave of migration, with its population reaching 2.4 million persons by 1960. By 2022, the population grew another 1.4 million, and the City experienced further growth in its demographic and economic diversity.

The City's 470 square miles contain 11.5 percent of the area of the County of Los Angeles, California (the "County") and approximately 39 percent of the population of the County. Tourism and hospitality, professional and business services, direct international trade, entertainment (including motion picture, television and digital media production), and wholesale trade and logistics all contribute significantly to local employment. Emerging industries are largely technology driven, and include biomedical technology, digital information technology, environmental technology and aerospace. The County is a top-ranked county in manufacturing in the nation. Important manufacturing components of local industry include apparel, computer and electronic components, transportation equipment, fabricated metal, and food processing. Fueled by trade with the Pacific Rim countries, the Ports of Los Angeles and Long Beach combined are the busiest container ports in the nation. As home to the film, television and recording industries, as well as important cultural facilities, the City serves as a principal global cultural center.

Population

The table below summarizes City, County, and State population, estimated as of January 1 of each year.

Table 54
CITY, COUNTY AND STATE POPULATION STATISTICS

	<i>City of Los Angeles</i>	<i>Percentage Change⁽¹⁾</i>	<i>County of Los Angeles</i>	<i>Percentage Change⁽¹⁾</i>	<i>State of California</i>	<i>Percentage Change⁽¹⁾</i>
2000	3,694,742	-	9,519,330	-	33,873,086	-
2005	3,769,131	2.01%	9,816,153	3.12%	35,869,173	5.89%
2010	3,794,586	0.67	9,822,121	0.06	37,223,900	3.78
2015	3,938,939	3.80	10,124,800	3.08	38,865,532	4.41
2020	3,975,234	0.92	10,135,614	0.11	39,648,938	2.02
2021	3,853,323	(3.07)	9,931,338	(2.02)	39,303,157	(0.87)
2022	3,819,538	(0.88)	9,861,224	(0.71)	39,185,605	(0.30)

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

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark. Sacramento, California, May 2, 2022. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-22, with 2020 Census Benchmark. Sacramento, California, May 2, 2022.

Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the City and the County, based on the annual “benchmark,” an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records. The “benchmark” data is typically released in March for the prior calendar year.

Table 55
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF RESIDENT LABOR FORCE⁽¹⁾

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

⁽¹⁾ March 2022 Benchmark report as of February 2023, not seasonally adjusted.

Note: Based on surveys distributed to households; not directly comparable to Industry Employment data reported in the table below.

Sources: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S.

The COVID-19 pandemic caused an unprecedented loss of jobs and an increase in unemployment. Unemployment for the City for April 2020 was 20.7 percent, increased from 5.5 percent in March (not seasonally adjusted). The previous high in unemployment was 12.3 percent at the height of the Great Recession in 2010. The California Employment Development Department has reported preliminary unemployment figures for February 2023 of 4.8% statewide, 5.3% for the County, and 5.4% for the City (not seasonally adjusted).

The following table summarizes the California Employment Development Department’s estimated annual employment for the County as of March 2020 (prior to the pandemic), which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment-in-kind, or piece rates. Separate figures for the City are not maintained. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

Table 56
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE⁽¹⁾

	<i>County of Los Angeles 2021</i>	<i>% of Total</i>	<i>State of California 2021</i>	<i>% of Total</i>
Agricultural	4,600	0.1%	407,500	2.3%
Mining and Logging	1,600	0.0	19,000	0.1
Construction	149,800	3.5	880,300	5.1
Manufacturing	311,700	7.3	1,273,200	7.4
Trade, Transportation and Utilities	817,600	19.0	3,031,700	17.7
Information	213,200	5.0	566,500	3.3
Financial Activities	210,800	4.9	823,100	4.8
Professional and Business Services	629,500	14.6	2,702,700	15.8
Educational and Health Services	839,600	19.5	2,809,100	16.4
Leisure and Hospitality	429,300	10.0	1,632,600	9.5
Other Services	134,100	3.1	500,700	2.9
Government	<u>558,200</u>	13.0	<u>2,469,200</u>	14.4
Total⁽²⁾	4,300,000		17,115,600	

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

(2) May not add due to rounding.

Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table 55.

Source: California Employment Development Department, Labor Market Information Division. Based on March 2021 Benchmark report as of June 2022.

Major Employers

The estimated top 25 major non-governmental employers in the County in 2021 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major non-governmental employers represented 7.5 percent of the labor force.

Table 57
LOS ANGELES COUNTY
2021 MAJOR NON-GOVERNMENTAL EMPLOYERS

<i>Employer</i>	<i>Product/Service</i>	<i>Employees</i>
Kaiser Permanente	Nonprofit health care plan	40,876
University of Southern California	Private university	22,465
Target Corp.	Retailer	20,000 ⁽¹⁾
Northrop Grumman Corp.	Defense contractor	18,000 ⁽¹⁾
Cedars-Sinai	Health system	16,309
Amazon	Online retailer	16,200 ⁽¹⁾
Allied Universal	Security professionals	15,326
Providence	Health care	14,935
Ralphs/Food 4 Less – Kroger Co.	Grocery retailer	14,585
Walt Disney Co.	Media and entertainment	12,200 ⁽¹⁾
Boeing Co.	Aerospace and defense, commercial jetliners, space and security systems	12,005 ⁽¹⁾
UPS	Logistics, transportation and freight	11,643 ⁽¹⁾
Home Depot	Home improvement specialty retailer	11,200 ⁽¹⁾
NBCUniversal	Media and entertainment	11,000 ⁽¹⁾
AT&T	Telecommunications, DirecTV, cable, satellite and television provider	10,500 ⁽¹⁾
Albertsons Cos.	Grocery retailer	9,700 ⁽¹⁾
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,988
Edison International	Electric utility, energy services	7,672
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning, maintenance and repair	7,400 ⁽¹⁾
City of Hope	Treatment and research center for cancer, diabetes and other life-threatening diseases	7,143
Wells Fargo & Co.	Diversified financial services	7,075 ⁽¹⁾
FedEx Corp.	Shipping and logistics	6,750 ⁽¹⁾
Children’s Hospital Los Angeles	Hospital	6,405
Raytheon Intelligence & Space	Advanced sensors, training cyber and software solutions	6,133
Dignity Health	Health care	6,118

⁽¹⁾ Business Journal estimate.

Source: Los Angeles Business Journal, Weekly Lists, originally published October 11, 2021.

The estimated top 25 major governmental employers in the County in 2021 are listed in the table below. Separate estimates for the City are not available. Based on these estimates, the top 25 major governmental employers represented 9.8 percent of the labor force.

Table 58
LOS ANGELES COUNTY
2021 LARGEST PUBLIC SECTOR EMPLOYERS

<i>Employers</i>	<i>Employees</i>
Los Angeles County	111,800
Los Angeles Unified School District	75,676
Federal Executive Board ⁽¹⁾	50,000
University of California, Los Angeles	46,130
City of Los Angeles ⁽²⁾	32,500
State of California ⁽³⁾	29,100
Long Beach Unified School District	11,267
Los Angeles County Metropolitan Transportation Authority	9,115
Los Angeles Department of Water and Power	8,770
Los Angeles Community College District	6,623
City of Long Beach	4,700
Cal State Northridge	3,933
Los Angeles World Airports	3,050
Pomona Unified School District	2,840
Cal Poly Pomona	2,675
Cal State Los Angeles	2,644
Cal State Long Beach	2,615
Montebello Unified School District	2,320
Mt. San Antonio Community College District	2,021
Compton Unified School District	1,992
City of Glendale	1,980
City of Santa Monica	1,900
William S. Hart Union High School District	1,900
City of Pasadena	1,795
Santa Monica Community College District	1,768

⁽¹⁾ Excludes law enforcement and judiciary employees.

⁽²⁾ Excludes proprietary departments (LADWP, LAWA, Port of L.A.).

⁽³⁾ Excludes education employees.

Source: Los Angeles Business Journal, Weekly Lists, originally published October 11, 2021.

Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of “net earnings,” rental income, dividend income, interest income, and transfer receipts. “Net earnings” is defined as wages and salaries, supplements to wages and salaries, and proprietors’ income, less contributions for government social insurance, before deduction of personal income and other taxes.

The following table summarizes the latest available estimate of personal income for the County, State and United States; equivalent data is not available for the City.

Table 59
COUNTY, STATE AND U.S.
PERSONAL INCOME

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

(1) Per capita personal income was computed using Census Bureau midyear population estimates. Per capita personal income is total personal income divided by total midyear population. Estimates for 2010-2020 reflect county population estimates available as of March 2021. These population estimates are based on the 2010 census. BEA will incorporate Census Bureau midyear population estimates based on the 2020 census results when they become available.

(2) Last updated: November 16, 2022 – new statistics for 2021; revised statistics for 2010 – 2020.

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

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

(5) County information for 2022 not yet available.

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

Retail Sales

As the largest city in the County, the City accounted for \$50.7 billion (or 26 percent) of the total \$192.3 billion in County taxable sales for 2021. The following table sets forth a history of taxable sales for the City for calendar years 2017 through 2021.

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

	2017	2018	2019	2020	2021
Motor Vehicle and Parts Dealers	\$ 4,622,056	\$ 4,953,943	\$ 4,920,618	\$ 4,585,480	\$ 5,927,499
Home Furnishings and Appliance Stores	1,961,481	1,994,456	1,879,295	1,523,470	2,025,904
Bldg. Materials and Garden Equip. and Supplies	2,473,704	2,604,997	2,633,786	2,774,916	3,040,639
Food and Beverage Stores	2,909,253	2,965,281	3,003,306	3,045,666	3,154,313
Gasoline Stations	3,973,137	4,577,433	4,634,896	2,903,295	4,469,765
Clothing and Clothing Accessories Stores	3,211,811	3,358,528	3,392,114	2,302,122	3,632,876
General Merchandise Stores	2,858,495	2,901,449	2,908,563	2,494,747	3,037,363
Food Services and Drinking Places	9,273,985	9,704,572	10,214,928	6,320,584	8,881,294
Other Retail Group	4,292,007	4,582,036	4,686,277	4,462,925	5,286,747
Total Retail and Food Services	35,575,932	37,642,695	38,273,783	30,413,205	39,456,400
All Other Outlets	<u>11,140,929</u>	<u>11,862,801</u>	<u>11,900,668</u>	<u>9,241,031</u>	<u>11,296,267</u>
TOTAL ALL OUTLETS	\$46,716,861	\$49,505,496	\$ 50,174,451	\$39,654,236	\$ 50,752,667
Year-over-year change	3.4%	6.05%	1.4%	(21.0%)	27.8%

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

Land Use

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

Table 61
CITY OF LOS ANGELES
ASSESSED VALUATION AND PARCELS BY LAND USE

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

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

Source: California Municipal Statistics, Inc.

Residential Value and Construction Activity

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

Table 62
CITY OF LOS ANGELES
PER PARCEL ASSESSED VALUATION OF SINGLE-FAMILY RESIDENTIAL PROPERTIES

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

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

⁽¹⁾ Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

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

Table 63
CITY OF LOS ANGELES
RESIDENTIAL BUILDING PERMIT VALUATIONS AND NEW UNITS

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

(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.

2. SOLID WASTE RESOURCES REVENUE BONDS

Base CUSIP: 54463P

City of Los Angeles Solid Waste Resources Revenue Bonds, Series 2013-A

City of Los Angeles Solid Waste Resources Refunding Revenue Bonds, Series 2013-B

City of Los Angeles Solid Waste Resources Refunding Revenue Bonds, Series 2015-A

City of Los Angeles Solid Waste Resources Revenue Bonds, Series 2018-A

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In 2006-07, the City changed the name of its Sanitation Equipment Charge to the Solid Waste Collection, Transfer, Recycling, Recovery of Waste Resources and Disposal Fee, and adopted a series of multi-year rate increases intended to more fully recover the cost of refuse collection and disposal. Notwithstanding these prior rate increases, from time to time in the past (including the period commencing in Fiscal Year 2020-21 and continuing in the current Fiscal Year), this fee and other fees charged for solid waste services have not been sufficient to pay all costs of the City’s refuse collection and disposal system (the “System”). In such years, such costs have been heavily subsidized by the City’s General Fund.

SOLID WASTE RESOURCES REVENUE BONDS
Rate History

<u>Periods by Fiscal Years</u>	<u>Monthly Charges</u>	
	<u>Single-Family Dwelling Unit</u>	<u>Multi-Family Dwelling Unit Receiving City Service</u>
2007 ⁽¹⁾	18.00	11.88
2008 ⁽²⁾	22.00	14.52
2008-09 ⁽³⁾	26.00	17.16
2009-23 ⁽⁴⁾	36.32	24.33

- ⁽¹⁾ Increase effective September 1, 2006.
⁽²⁾ Increase effective July 1, 2007.
⁽³⁾ Increase effective September 20, 2007.
⁽⁴⁾ Increase effective September 8, 2008.

Source: City of Los Angeles, Bureau of Sanitation.

SOLID WASTE RESOURCES REVENUE BONDS
Department of Water and Power
Billings, Collections and Remittances Solid Waste Fee

<u>Fiscal Year</u>	<u>Billings</u>	<u>Collections⁽¹⁾</u>	<u>Collection Rate⁽²⁾</u>	<u>Remittance to City⁽³⁾</u>
2017-18	\$291,704,750	\$285,958,865	98.03%	\$284,638,476
2018-19	295,466,824	293,040,492	99.18	289,509,415
2019-20	298,786,775	288,227,468	96.47	293,282,808
2020-21	299,067,650	271,292,559	90.71	268,421,296 ⁽⁴⁾
2021-22	300,945,313	275,756,700	91.63	276,695,763 ⁽⁵⁾

- ⁽¹⁾ Solid Waste Resources Fee amounts actually received by DWP during the Fiscal Year.
- ⁽²⁾ The collection rate varies from year to year and may exceed 100% because of differences in the average time taken by customers to pay their bills.
- ⁽³⁾ The remittance to the City reflects collections adjusted for (i) DWP's administration charges, (ii) refunds of incorrectly billed charges, and (iii) any corrections.
- ⁽⁴⁾ In April 2020, due to the COVID-19 pandemic DWP placed a moratorium on late fees and disconnection of services, which ended in March 2022. This caused a decline in the collection rate and decreased operating cash in Fiscal Year 2020-21.
- ⁽⁵⁾ In Fiscal Year 2021-22, the Bureau of Sanitation received \$9 million in funding for utility debt relief from the American Rescue Plan Act for the reimbursement of the costs of the solid waste fee arrearages forgiveness program for low income customers for the period of March 3, 2021 to May 31, 2022.
-

Source: City of Los Angeles, Bureau of Sanitation.

**SOLID WASTE PROGRAM
HISTORICAL OPERATING RESULTS
Fiscal Years 2017-18 through 2021-22⁽¹⁾
(Unaudited)**

	2017-18	2018-19	2019-20	2020-21	2021-22
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
Operating Revenues					
Solid Waste Resources Fee	\$284,638,476	\$289,509,415	\$293,282,808	\$268,421,296	\$276,695,763
General Fund Lifeline Reimbursement	4,302,205	5,734,144	7,112,766	2,844,085	3,163,918
Interest	2,475,197	2,490,377	2,983,389	1,399,087	797,491
Reimbursement From Other Funds/Departments ⁽²⁾	15,545,055	79,461,953	29,533,930	27,709,584	21,102,003
Miscellaneous Other Revenues	<u>11,729,385</u>	<u>7,196,915</u>	<u>17,338,072</u>	<u>9,962,409</u>	<u>9,916,713</u>
Total Revenues	<u>\$318,690,318</u>	<u>\$384,392,804</u>	<u>\$350,250,965</u>	<u>\$310,336,461</u>	<u>\$311,675,888</u>
Operating Expenditures					
Debt Service	\$38,904,025	\$42,906,230	\$47,503,250	\$28,696,425	\$23,953,175
Operational Expenditures ⁽³⁾	300,780,721	336,223,979	337,852,984	360,683,809	338,634,049
Capital Infrastructure	<u>2,829,282</u>	<u>8,706,367</u>	<u>900,032</u>	<u>225,797</u>	<u>206,939</u>
Total Expenditures⁽⁴⁾	<u>\$342,514,028</u>	<u>\$387,836,577</u>	<u>\$386,256,266</u>	<u>\$389,606,031</u>	<u>\$362,794,163</u>
General Fund Subsidies ⁽⁵⁾	-	-	-	\$25,000,000	\$73,000,000
Operating Cash					
Beginning Cash Balance	185,573,764	161,750,054	158,306,281	122,300,980	68,031,410
Change in Operating Cash	(23,823,710)	(3,443,773)	(36,005,301)	(54,269,570)	21,881,725
Ending Cash Balance	\$161,750,054	\$158,306,281	\$122,300,980	\$68,031,410	\$89,913,135

(1) Figures are provided on a cash basis.

(2) Reimbursement from Other Funds/Departments primarily reflects payments to the Solid Waste Resources Revenue Fund (the "SWR Revenue Fund") from other City funds and departments for refuse collection services provided by the Bureau of Sanitation at various City facilities. Also includes reimbursements to the SWR Revenue Fund from revenues derived from the Multi-family Bulky Item Fee for operational costs allocable to the Bulky Item Collection program and transfers to pay a portion of the debt service on certain Solid Waste Resources Revenue Bonds allocable to projects for the Bulky Item Collection program, as well as transfers from the Solid Waste Resources Revenue Bonds Series 2018-A Acquisition Fund to the SWR Revenue Fund for front funding vehicle purchases in Fiscal Years 2018-19 and 2019-20. In addition, there is a \$9 million reimbursement of costs of the Solid Waste Resources Fee arrearages forgiveness program from American Rescue Plan funding for utility debt relief in Fiscal Year 2021-22.

(3) Operating Expenditures include certain related costs of operating the System that are paid directly by the General Fund, which costs are reimbursed to the General Fund by SWR Revenue Fund to the extent funds are available in the SWR Revenue Fund for such reimbursement. The amount of related costs not reimbursed to the General Fund is reflected in General Fund Subsidies (footnote 5).

(4) Figures only represent expenditures from the SWR Revenue Fund.

(5) Amount of related costs paid directly from the General Fund that would otherwise be payable from (or reimbursed to the General Fund by) the SWR Revenue Fund, such as pension costs, employee benefit costs, and other indirect costs of the System.

Source: City of Los Angeles, Bureau of Sanitation.

SOLID WASTE RESOURCES REVENUE BONDS
Historical Debt Service Coverage
Fiscal Year Ended June 30
(Dollar amount in thousands)

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Solid Waste Resources Fee and Extra Capacity Fee	\$284,638	\$289,509	\$293,283	\$268,421	\$276,696
Interest	2,475	2,490	2,983	1,399	797
Other Revenues ⁽²⁾	<u>31,577</u>	<u>30,881</u>	<u>45,728</u>	<u>40,516</u>	<u>34,183</u>
Total Revenues	\$318,690	\$322,880	\$341,994	\$310,363	\$311,676
Debt Service	\$38,904	\$42,906	\$47,503	\$28,696	\$23,953
Debt Service Coverage ⁽³⁾	8.19x	7.53x	7.20x	10.81x	13.01x

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Other Revenues do not include reimbursements from the Solid Waste Resources Revenue Bonds Series 2018-A Acquisition Fund to the SWR Revenue Fund for front funding vehicle purchases in Fiscal Years 2018-19 and 2019-20.

⁽³⁾ Represents debt service coverage, prior to payment of operation and maintenance expenses.

Source: City of Los Angeles, Bureau of Sanitation and Office of the City Administrative Officer, Debt Management Group.

The information set forth in the table below is provided pursuant to the City's continuing disclosure undertakings in connection with the Series 2013-A, Series 2013-B, 2015-A, and 2018-A Bonds.

SOLID WASTE RESOURCES REVENUE BONDS
Pro-Forma Statement of Debt Service Coverage
Fiscal Year Ended June 30
(Amount in thousands)

	<u>2022-23⁽²⁾</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>
Revenues					
Solid Waste Resources Fee and Extra Capacity Fee ⁽³⁾	\$ 290,000	\$ 287,000	\$ 287,287	\$ 287,574	\$ 287,862
Interest	800	400	200	150	100
Other Revenues ⁽⁴⁾	<u>22,914</u>	<u>24,643</u>	<u>22,444</u>	<u>22,491</u>	<u>22,519</u>
Total Revenues	\$ 313,714	\$ 312,043	\$ 309,931	\$ 310,215	\$ 310,481
Debt Service⁽⁵⁾					
Series 2013-A Bonds	\$ 7,632	\$ 7,627	\$ 9,630	\$ 9,428	\$ 9,225
Series 2013-B Bonds	1,028	1,031	1,033	1,032	1,036
Series 2015-A Bonds	4,905	4,906	-	-	-
Series 2018-A Bonds	10,594	10,595	10,596	10,594	10,595
Series 2023-A Bonds*	<u>-</u>	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>
Total Debt Service	\$24,159	\$45,159	\$42,258	\$42,054	\$41,856
Debt Service Coverage	12.99x	6.91x	7.33x	7.38x	7.42x

* Preliminary, subject to change.

(1) Budgeted amounts.

(2) Based on amounts proposed by the Bureau of Sanitation for the Fiscal Year 2023-24 budget. Future years escalated by 0.10% per year.

(3) Consists of reimbursements from other funds, state grants, sale of recyclables, and miscellaneous revenues. Does not include the General Fund subsidies reflected in Table 4.

(4) Comprised of debt service payments on August 1 and the following February 1 occurring in the applicable Fiscal Year.

Totals may not add due to rounding.

Source: City of Los Angeles, Bureau of Sanitation and Office of the City Administrative Officer, Debt Management Group.

3. WASTEWATER SYSTEM REVENUE BONDS

Base CUSIP: 544652

Wastewater System Revenue Bonds, Series 2010-A (Taxable Build America Bonds)
Wastewater System Revenue Bonds, Series 2010-B (Taxable Recovery Zone Economic Development Bonds)
Wastewater System Subordinate Revenue Bonds, Refunding Series 2012-A
Wastewater System Subordinate Revenue Bonds, Refunding Series 2012-B

Base CUSIP: 53945C

Wastewater System Subordinate Revenue Bonds, Refunding Series 2013-A
Wastewater System Revenue Bonds, Series 2013-A
Wastewater System Revenue Bonds, Refunding Series 2013-B
Wastewater System Revenue Bonds, Series 2015-A (Green Bonds)
Wastewater System Revenue Bonds, Refunding Series 2015-B
Wastewater System Revenue Bonds, Series 2015-C (Green Bonds)
Wastewater System Revenue Bonds, Refunding Series 2015-D
Wastewater System Subordinate Revenue Bonds, Refunding Series 2015-A
Wastewater System Subordinate Revenue Bonds, Series 2017-A (Green Bonds)
Wastewater System Subordinate Revenue Bonds, Refunding Series 2017-B (Green Bonds)
Wastewater System Subordinate Revenue Bonds, Refunding Series 2017-C (Taxable) (Green Bonds)
Wastewater System Subordinate Revenue Bonds, Series 2018-A (Green Bonds)
Wastewater System Subordinate Revenue Bonds, Refunding Series 2018-B
Wastewater System Subordinate Revenue Bonds, Series 2022-A (Green Bonds)
Wastewater System Subordinate Revenue Bonds, Series 2022-B (Taxable)
Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C

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WASTEWATER SYSTEM REVENUE BONDS
Existing Water Reclamation Facilities

<u>Reclamation Facility</u>	<u>Approximate First Year of Operation</u>	<u>Current Design Capacity (mgd)⁽¹⁾</u>	<u>Average Flow⁽²⁾ (mgd)</u>
HYPERION SYSTEM			
Hyperion ⁽³⁾	1923	450	251
Los Angeles-Glendale	1976	20	17
Tillman	1984	<u>80</u>	<u>43</u>
Total Hyperion System		<u>550</u>	<u>311</u>
TERMINAL ISLAND SYSTEM			
Terminal Island	1935	<u>30</u>	<u>14</u>
TOTAL BOTH SYSTEMS		<u>580</u>	<u>325</u>

(1) "mgd" means million gallons per day.

(2) These numbers are average flows for Fiscal Year 2021-22.

(3) Includes treated outflow from upstream plants.

Source: City of Los Angeles, Bureau of Sanitation.

The City has decided to modify the manner by which it provides historical capital improvement program expenditure data. The following table sets forth the actual expenditures and sources of funding for the capital improvement program for Fiscal Year 2021-22 in this modified format. In its continuing disclosure annual reports in the future, the City plans to provide an update of the capital improvement program expenditures for the most recently completed fiscal year similar to the way it is presented in the table below.

**WASTEWATER SYSTEM REVENUE BONDS
CAPITAL IMPROVEMENT PROGRAM
FISCAL YEAR ENDING JUNE 30, 2022**

EXPENDITURES AND SOURCES OF FUNDING
(in thousands)

Capital Improvement Program Expenditures	
System-Wide conveyance and Pumping	\$83,182
Hyperion Water Reclamation Plant	30,170
Other Water Reclamation Plants	8,816
Recycled Water Projects	<u>38,005</u>
Construction Projects Subtotal	\$160,173
Non-Construction Capital Expenditures	<u>\$123,635</u>
Total	<u>\$283,808</u>
 Sources of Funding for Capital Improvement Program	
Recycled Water Capital Contributions	
Los Angeles World Airports ⁽¹⁾	\$14,878
Debt Proceeds ⁽²⁾	\$122,867
System Revenues	108,363
Wastewater Service Contract Capital Payments	15,262
Interest Income	206
Proceeds from Insurance ⁽³⁾	<u>22,232</u>
Total	<u>\$283,808</u>

- ⁽¹⁾ Consists of the construction of a 1.5 mgd advanced water treatment process at Hyperion that will serve the Los Angeles International Airport.
⁽²⁾ Reflects the use of proceeds from bonds, Wastewater System Commercial Paper Notes, and/or other indebtedness.
⁽³⁾ Reflects insurance proceeds received from a July 2021 sewerage overflow at Hyperion.
-

Source: City of Los Angeles, Bureau of Sanitation.

WASTEWATER SYSTEM REVENUE BONDS
Sewer Service Charge (SSC) Billed to Ten Largest Customers
Fiscal Year 2021-22

<u>User</u>	<u>Customer Type</u>	<u>SSC Billed</u>
City of Los Angeles	Government	\$9,040,578
Los Angeles Unified School District	School district	8,155,316
County of Los Angeles	Government	6,528,753
Phillips 66 Company	Petroleum product refiner	4,968,108
University of California – Los Angeles	Education	3,859,871
University of Southern California	Education	2,610,126
Anheuser-Busch, LLC	Brewing company	2,511,274
ERP Operating Limited Partnership	Property maintenance; real estate	1,873,408
Rochelle Sterling	Property maintenance; real estate	1,615,968
Geoff Palmer	Property maintenance; real estate	<u>1,598,952</u>
TOTAL		<u>\$42,762,355</u>

⁽¹⁾ Totals may not equal the sum of components due to individual rounding. Total SSC billings for Fiscal Year 2021-22 was \$715.6 million.

Source: City of Los Angeles, Bureau of Sanitation.

WASTEWATER SYSTEM REVENUE BONDS
Sewer Construction and Maintenance Fund Rates and Charges

Fiscal Year Ended June 30	Sewer Service Charge ⁽¹⁾	Quality Surcharge Fees ⁽²⁾		Sewerage Facilities Charge (SFC) (per 100 gal. avg. flow) ⁽³⁾	Typical Monthly Single Family Residential SSC ⁽⁴⁾
		<u>BOD</u>	<u>SS</u>		
2018	\$4.80	\$0.500	\$0.503	\$413.00	\$33.12
2019	5.11	0.533	0.536	413.00	37.81
2020	5.44	0.567	0.571	413.00	39.71 ⁽⁵⁾
2021	5.80	0.604	0.608	413.00	42.92
2022	5.80	0.604	0.608	413.00	43.50

(1) This charge is based on dollars per 100 cubic feet (hcf or hundred cubic feet) of billable wastewater volume. For residential customers, including multi-family dwellings up to four units, this charge is applied to each customer's minimum daily water usage during the winter water use period, further reduced by a dry weather compensation factor. For commercial customers, including multi-family dwellings of five or more units, this charge is applied to 93% of total metered water usage.

(2) The surcharge is based on a rate per pound of biochemical oxygen demand (BOD) or suspended solids (SS) in excess of domestic strength wastewater 265 mg/L BOD and 275 mg/L SS.

(3) SFC includes strength charges.

(4) These figures do not reflect the effects of low-income assistance program. *Typical Monthly Single Family Residential SSC* is based on the adopted rate multiplied by average billable wastewater volume for that fiscal year, as provided below:

- FY 2017-18 - 6.9 hcf/month (Previously reported at 7.0; updated to 6.9 to remove rounding error)
- FY 2018-19 - 7.4 hcf/month
- FY 2019-20 - 7.3 hcf/month
- FY 2020-21 - 7.4 hcf/month (Previously reported at 7.3, updated to 7.4 to remove rounding error)
- FY 2021-22 - 7.5 hcf/month.

Average billable wastewater volume for single family residential customers is determined by dividing the total single family sewer usage by the total number of single family service points. A service point is a location where wastewater service is provided. There are more accounts than service points because a service point can have more than one account as customers discontinue and establish service during a given year.

(5) *Typical Monthly Single Family Residential SSC* for FY 2019-20 has been corrected to \$39.71 (previously reported as \$39.41).

Source: City of Los Angeles, Bureau of Sanitation.

WASTEWATER SYSTEM REVENUE BONDS
Wastewater System Service Points and Billable Wastewater Volume
Fiscal Year Ended June 30

Customer Class	Number of Service Points				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Single Family	491,229	491,145	487,605	490,384	491,763
Small Multi-family	70,408	70,320	70,073	70,494	71,229
Large Multi-family	40,982	40,758	40,656	40,623	40,702
Commercial/Industrial	53,413	52,185	51,907	51,519	51,838
All Others	<u>3,958</u>	<u>3,961</u>	<u>3,891</u>	<u>3,869</u>	<u>3,876</u>
Total Customers	<u>659,990</u>	<u>658,369</u>	<u>654,132</u>	<u>656,889</u>	<u>659,408</u>
	Billable Wastewater Volume⁽¹⁾				
Single Family ⁽²⁾	40,440	43,606	42,827	43,392	44,012
Small Multi-family ⁽²⁾	11,955	10,958	12,234	11,339	10,616
Large Multi-family ⁽³⁾	39,592	39,478	40,061	41,489	40,187
Commercial/Industrial ⁽³⁾	31,037	30,603	28,757	26,434	28,428
All Others	<u>6,059</u>	<u>5,827</u>	<u>5,508</u>	<u>6,469</u>	<u>4,485</u>
Total Billable Wastewater Volume ⁽⁴⁾	<u>129,083</u>	<u>130,472</u>	<u>129,388</u>	<u>129,122</u>	<u>127,728</u>

(1) In thousands of hcf (hundred cubic feet).

(2) Billable wastewater volume for single family and multi-family dwellings of up to four units are based on each residential customer's minimum average daily water consumption during the winter water use period, further reduced by a dry weather compensation factor.

(3) Billable wastewater volume for large multi-family, commercial industrial and other customers is generally equal to 93% of total water sales volume. All customers who can demonstrate that the billable wastewater volume is less than 74% of annual water sales are billed at the lower estimate.

(4) Totals may not equal the sum of components due to individual rounding.

Source: City of Los Angeles, Bureau of Sanitation.

SSC REVENUE
BUDGET, BILLINGS, AND REMITTANCE
Fiscal Year Ending June 30
(in Thousands)

Fiscal Year	Budgeted	Billed	Remitted	Billed as a Percent of Budget	Remitted as a Percent of Billed⁽¹⁾
2018	\$561,010	\$594,365	\$589,046	105.9%	99.1%
2019	626,791	640,189	622,973	102.1	97.3
2020	665,533	675,639	660,495	101.5	97.8
2021 ⁽²⁾⁽³⁾	709,501	718,894	668,421	101.3	93.0
2022	725,100	715,638	700,752	98.7	97.9

(1) The percentage of remitted SSC to billed SSC varies from year to year and may exceed 100% because of differences in average time taken by customers to pay their bills and adjustments made resulting from reconciliations.

(2) In response to the COVID-19 pandemic, LADWP implemented a number of temporary measures to assist its customers, including a moratorium on disconnection due to nonpayment. The disconnection moratorium expired on March 31, 2022. LADWP has resumed normal billing and collection processes.

(3) FY 2021 billed SSC amount has been corrected to \$718,894 (previously reported as \$718,921).

Source: City of Los Angeles, Bureau of Sanitation.

BUREAU OF SANITATION AUTHORIZED POSITIONS⁽¹⁾

<u>Fiscal Year Ending June 30</u>	<u>Authorized Number of Positions⁽²⁾</u>
2019	1,396
2020	1,404
2021	1,412
2022	1,416
2023	1,407

⁽¹⁾ As authorized in the Adopted Budget. Represents permanent (“regular”) positions, funded by the Sewer Construction and Maintenance (SCM) Fund, and excludes temporary personnel (also referred to as “resolution authority positions”).

⁽²⁾ Consistent with the numbers reflected for Fiscal Years 2020-21, 2021-22, and 2022-23, the numbers were restated for Fiscal Years 2018-19 and 2019-20 to include positions assigned to the Clean Water Program and other budgetary programs within the Bureau of Sanitation, but which support the System and are funded by the SCM Fund.

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

**SEWER CONSTRUCTION AND MAINTENANCE FUND
Retirement and OPEB Contributions
(\$ in thousands)**

<u>Fiscal Year</u>	<u>Total City Contribution⁽¹⁾</u>	<u>Wastewater System Contribution⁽²⁾</u>	<u>Wastewater System Percentage</u>
2019	\$488,400	\$35,833	7.3%
2020	559,299	37,516	6.7
2021	532,833	56,216	10.6
2022	601,450	56,869	9.5
2023	636,523	65,000	10.2

⁽¹⁾ Total City Contribution represents amounts paid to the Los Angeles City Employees’ Retirement System for City Council controlled departments only.

⁽²⁾ For Fiscal Years 2018-19, and 2019-20, the Wastewater System Contribution only reflect retirement and OPEB contributions for labor attributable to the Bureau of Sanitation. Beginning in Fiscal Year 2020-21, due to more accessible data related to a revised CAP billing methodology, the Wastewater System Contribution now reflects the costs attributable to the Bureau of Sanitation and other City departments that support the System.

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

The City has decided to modify the manner by which it provides a historical summary of the financial operations of the Sewer Construction and Maintenance Fund and debt service coverage ratio. Previously, this information was provided on an unaudited cash basis. In its continuing disclosure annual reports in the future, the City plans to provide this information on an accrual (GAAP) basis, similar to the way it is presented in the table below.

WASTEWATER SYSTEM REVENUE BONDS
Sewer Construction and Maintenance Fund
Summary of Operations and Debt Service Coverage (in Thousands)
Fiscal Year Ended June 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
OPERATING REVENUES					
Sewer Service Charge	\$598,533	\$618,168	\$681,164	\$713,013	\$670,488
Wastewater Service Contracts ⁽¹⁾	29,120	28,705	25,734	29,647	20,952
Industrial Waste Surcharges ⁽²⁾	17,652	18,499	20,455	20,158	20,028
Sewerage Facilities Charge	16,115	15,635	15,779	14,583	16,542
Other Operating Revenues	<u>16,466</u>	<u>13,956</u>	<u>9,595</u>	<u>11,354</u>	<u>11,656</u>
Total Operating Receipts	677,886	694,963	752,727	788,755	739,666
NON-OPERATING REVENUES					
Gross Interest Income	4,893	15,057	9,870	48	(3,834)
Other Non-Operating Revenues (Net)	3,598	8,584	2,289	20,119	102,405 ⁽³⁾
ADJUSTMENTS⁽⁴⁾					
Interest on Construction Funds	(2,970)	(5,076)	(3,121)	(241)	(107)
Other Non-Operating Expenses (Revenues) ⁽⁵⁾	1,456	9,238	9,301	(11,527)	4,059
Federal or State Government Grants	<u>7,808</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES	\$692,671	\$722,766	\$771,066	\$797,154	\$842,189
Less: Operating Expenses	<u>284,184</u>	<u>375,442</u>	<u>368,658</u>	<u>318,637</u>	<u>369,274</u>
NET REVENUES	<u>\$408,487</u>	<u>\$347,324</u>	<u>\$402,408</u>	<u>\$478,517</u>	<u>\$472,915</u>
Debt Service Coverage					
Senior Debt Service ⁽⁶⁾	\$78,707	\$54,974	\$58,806	\$73,634	\$91,037
Senior Debt Service Coverage	5.19	6.32	6.84	6.50	5.19
Subordinate Debt Service ⁽⁶⁾	\$127,700	\$153,897	\$159,204	\$136,667	\$124,925
Aggregate Debt Service	\$206,407	\$208,871	\$218,010	\$210,301	\$215,962
Aggregate Debt Service Coverage	1.98	1.66	1.85	2.28	2.19

⁽¹⁾ Operations and maintenance portion of Wastewater Service Contracts payments (excluding capital charge component, which is not treated as Revenues). Most of the revenue increase from Fiscal Year 2017-18 to Fiscal Year 2018-19 is due to the City of Burbank's \$9 million partial payment of service charges previously invoiced by the City but not previously paid because of an ongoing billing dispute. An additional portion of the revenue increase is because the invoicing and payment of the City of Glendale's share of the Los Angeles-Glendale Water Reclamation Plant's cost was delayed from Fiscal Year 2017-18 to Fiscal Year 2018-19.

⁽²⁾ Includes Quality Surcharge Fees, Permit Application Fees, Inspection and Control Fees, and Significant Industrial User Fees.

⁽³⁾ The increase in Other Non-Operating Revenues (Net) from Fiscal Year 2020-21 to Fiscal Year 2021-22 is due to the receipt of a \$59.8 million grant for the California Water and Wastewater Arrearages Payment Program (CWWAPP) from the State Water Resources Control Board (SWRCB) for residential and commercial customers' arrearages during the COVID-19 pandemic. Additionally, the Fiscal Year 2021-22 amount includes an increase of \$22.2 million in damage and claims settlement revenues compared to the prior year.

⁽⁴⁾ Adjustments made in the annual Debt Service Compliance Report to calculate coverage in accordance with the Resolutions.

⁽⁵⁾ Includes various adjustments to conform analysis to the definition of "Expenses" in the Resolutions, primarily reversing items reported as non-operating expenses in the annual financial reports.

⁽⁶⁾ Derived from Debt Service Compliance Reports. Excludes debt service on the Existing State Revolving Fund Clean Water Loan, which is subordinate to the Senior Lien Bonds, the Subordinate Bonds and the Wastewater System Commercial Paper Notes.

Source: City of Los Angeles Office of Accounting. Sewer Construction and Maintenance Fund Financial Statements and Debt Service Compliance Reports.

WASTEWATER SYSTEM REVENUE BONDS
Sewer Construction and Maintenance Fund
Cash Balances in All Funds (Unaudited)⁽¹⁾ (in Thousands)

	Fiscal Year Ended June 30				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
UNRESTRICTED FUNDS⁽²⁾					
Sewer Construction and Maintenance ⁽³⁾	\$ 97,540	\$ 49,635	\$ 29,455	\$ 101,245	\$ 204,721
Sewer Operation and Maintenance ⁽⁴⁾	10,206	15,997	21,670	39,140	109,591
Sewer Capital ⁽⁵⁾	<u>18,749</u>	<u>11,831</u>	<u>13,658</u>	<u>27,478</u>	<u>44,278</u>
Total Unrestricted Funds	<u>\$126,495</u>	<u>\$ 77,463</u>	<u>\$ 64,783</u>	<u>\$ 167,863⁽⁶⁾</u>	<u>\$ 358,590⁽⁷⁾</u>
RESTRICTED FUNDS⁽⁸⁾					
Operation and Maintenance Reserve ⁽⁹⁾	\$ 41,495	\$ 45,741	\$ 47,255	\$ 48,968	\$ 63,325
Insurance Reserve ⁽¹⁰⁾	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Subtotal-Restricted Funds Available for Operation and Maintenance	\$ 44,495	\$ 48,741	\$ 50,255	\$ 51,968	\$ 66,325
SUBTOTAL: FUNDS AVAILABLE FOR O&M	\$ 170,990	\$126,204	\$ 115,038	\$ 219,831	\$ 424,915
Emergency Fund	\$ 5,017	\$ 5,008	\$ 5,008	\$ 5,008	\$ 5,004
Construction Funds ⁽¹¹⁾	168,576	281,725	93,274	45,853	37,999
Reserve Funds ⁽¹²⁾	103,807	102,310	102,310	100,547	102,310
Debt Service Funds	20,784	19,562	20,826	26,052	19,342
Rebate Funds	<u>530</u>	<u>167</u>	<u>169</u>	<u>170</u>	<u>171</u>
Total Restricted Funds	<u>\$ 343,209</u>	<u>\$ 457,513</u>	<u>\$ 271,842</u>	<u>\$ 229,598</u>	<u>\$ 231,151</u>
TOTAL FUNDS	<u>\$ 469,704</u>	<u>\$ 534,976</u>	<u>\$ 336,625</u>	<u>\$ 397,461</u>	<u>\$ 589,741</u>

⁽¹⁾ All the funds listed under Unrestricted Funds are considered accounts of the SCM Fund pursuant to the Resolutions and the supplemental resolutions related thereto, and reported within a single SCM Fund in the City's audited financial statements.

⁽²⁾ Reported under current assets as "unrestricted" cash and pooled investments held by the City Treasurer in the Statements of Net Position of the separately prepared audited financial statement of the SCM Fund and valued at market value rather than the original cost value shown in the table above.

⁽³⁾ All Revenues are deposited into this fund maintained in the City's Treasury for transfer to other funds and accounts of the SCM Fund.

⁽⁴⁾ The fund established by the City to receive transfers from the Sewer Construction and Maintenance Fund for payment of O&M expenses. The amounts reported above are residual after paying O&M expenses.

⁽⁵⁾ The fund established by the City to receive transfers from the Sewer Construction and Maintenance Fund for payment of pay-as-you-go capital. Additionally, grant receipts and Wastewater Service Contracts capital payments are deposited into this account. The amounts reported above are residual after paying pay-as-you-go capital.

⁽⁶⁾ The increase in cash balance from Fiscal Year 2019-20 to Fiscal Year 2020-21 is due to a decline in expenditures, such as salaries and other operating expenditures. Additionally, due to the COVID-19 pandemic, the City paused the award of some capital improvement projects for several months while evaluating the impact of the pandemic on revenues and the construction industry, which resulted in lower expenditures in such Fiscal Year.

⁽⁷⁾ The increase in cash balance from Fiscal Year 2020-21 to Fiscal Year 2021-22 is due to the receipt of the CWWAPP grant from the SWRCB, the increase in damage and claims settlement revenues, and increased remittance of SSC revenues. Additionally, the Fiscal Year 2021-22 cash balance includes a one-time general fund reconciliation payment of \$85.7 million for prior year overpayments.

⁽⁸⁾ Reported by the City Treasurer in the Statements of Net Position of the audited financial statement of the SCM Fund in current assets and non-current assets as "restricted" cash and pooled investments and at fair market value rather than the original cost value shown in the table above.

⁽⁹⁾ Pursuant to the Resolutions, certain transfers from the SCM Funds are restricted if the City does not maintain an amount needed to provide for the System's operation and maintenance expenses for 45 days.

⁽¹⁰⁾ Amounts in this fund represent an Operations and Maintenance Reserve allocated for insurance.

⁽¹¹⁾ These funds are funded with proceeds of the Senior Lien Bonds, Subordinate Bonds, and Wastewater System Commercial Paper Notes.

⁽¹²⁾ Funded with proceeds of the Senior Lien Bonds.

Source: City of Los Angeles, Office of Accounting.

Outstanding Wastewater System Revenue Bonds and Commercial Paper Revenue Notes
Amounts Issued and Outstanding
As of June 30, 2022
(in thousands)

Issue	Amount Issued	Amount Outstanding	Final Maturity
Series 2010-A (Senior)	\$177,420	\$177,420	6/1/2039
Series 2010-B (Senior)	89,600	89,600	6/1/2040
Series 2012-A (Subordinate Refunding)	157,055	11,610	6/1/2024
Series 2012-B (Subordinate Refunding)	253,880	66,625	6/1/2023
Series 2013-A (Senior)	149,980	149,980	6/1/2043
Series 2013-B (Senior Refunding)	143,880	51,795	6/1/2035
Series 2013-A (Subordinate Refunding)	349,505	242,190	6/1/2035
Series 2015-A (Senior)	188,755	188,755	6/1/2045
Series 2015-B (Senior Refunding)	41,175	41,175	6/1/2035
Series 2015-C (Senior)	100,835	100,835	6/1/2045
Series 2015-D (Senior Refunding)	108,860	80,280	6/1/2034
Series 2015-A (Subordinate Refunding)	21,650	8,605	6/1/2024
Series 2017-A (Subordinate)	227,540	227,540	6/1/2047
Series 2017-B (Subordinate Refunding)	107,155	90,185	6/1/2039
Series 2017-C (Subordinate Refunding) (Taxable)	115,455	103,835	6/1/2039
Series 2018-A (Subordinate)	219,790	216,015	6/1/2048
Series 2018-B (Subordinate)	139,880	139,880	6/1/2028
Series 2022-C (Subordinate Refunding)	380,570	380,570	6/1/2032
Series 2022-A (Subordinate)	99,025	99,025	6/1/2052
Series 2022-B (Subordinate)(Taxable)	70,300	70,300	6/1/2040
WIFIA Loan (Subordinate) ⁽¹⁾	223,921	0	6/1/2056
Wastewater System Commercial Paper Notes	<u>400,000</u>	<u>79,024</u>	
Total: ⁽²⁾	\$3,766,231	\$2,615,244	

⁽¹⁾ On September 23, 2021, the City entered into a loan agreement with the United States Environmental Protection Agency for a financing under the Water Infrastructure Finance and Innovation Act (WIFIA) for the DCTWRP Advanced Water Purification Facility Project. The City plans to draw on the loan on the projected substantial completion date of September 30, 2027. The final maturity for the WIFIA Loan will be the earlier of (a) June 1, 2056 and (b) the principal payment date immediately preceding the date that is thirty-five (35) years following the substantial completion date.

⁽²⁾ Excludes the Existing State Revolving Fund (SRF) Clean Water Loan (which matures in Fiscal Year 2024-25). As of June 30, 2022, the outstanding aggregate principal amount of the Existing SRF Clean Water Loan was \$39.3 million.

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

LITIGATION

The City is routinely a party to a variety of pending and threatened lawsuits and administrative proceedings, including those that may affect the SCM Fund of the City. The Office of the City Attorney has prepared the following summary, as of June 30, 2022 (unless later date is noted) of certain claims and lawsuits (with a potential loss exceeding \$1 million) pending against the City that affect the SCM Fund for construction claims and certain other alleged liabilities arising during the ordinary course of operations of the System.

Hoffman v. City. The case is a putative class action lawsuit challenging the City’s calculation of the annual, fiscal year Dry Winter Compensation Factor (“DWCF”) relating to SSCs. The City has utilized a “Winter Water Use” method since 1997. The determination of the SSC for residential customers is based on winter water usage. A residential customer’s sewage volume is calculated by multiplying the resident’s lowest average daily winter water usage by the DWCF. The method assumes that while most water delivered during the winter season to a residence is returned to the sewer system, some is used for landscape irrigation (and therefore does not go down the sewer). Thus, the DWCF serves to reduce the amount of water a residential customer is billed

for as sewage volume because delivered water used for irrigation is not returned to the City's sewer system. Plaintiffs allege that the reduction factor was not calculated correctly and therefore plaintiffs should have received a greater discount than what they received under City's methodology for calculating the DWCF.

There are four causes of action alleged in the lawsuit (accounting, money had and received, declaratory relief, and procedural and substantive violations of Proposition 218/Article 13D of the California Constitution).

The first portion of a bifurcated court trial proceeded in this matter in February and March 2021, and the court's Statement of Decision was served on June 30, 2021. The court determined the City did not comply with the applicable Los Angeles Municipal Code Section and the Board of Public Works Rules and Regulations in setting the DWCF, and overcharged residential customers, basing its ruling on plaintiffs' methodology. The court further determined that the annual DWCF determination resulted in a "new or increased fee" under Proposition 218, which mandated the City to provide customers with notice and an opportunity to protest the annual DWCF determination, which the City did not do.

Plaintiffs further raised a Proposition 218 "substantive violation" claim (i.e., whether the City used the revenues derived from residential sewer services charges for non-sewer related purposes), which has not yet been tried.

The parties have mediated this matter and reached a tentative common fund settlement of \$57.5 million, which was approved by the City Council and the Mayor in December 2022. The settlement is still subject to court approval and the parties are currently working on obtaining such court approval.

Hyperion Water Reclamation Plant Sewage Spill litigation matters – Abdelnur, Katarina et al v. City; Ace American Insurance v. City; Konig, Joshua v. City; Mecklenburg v. Hyperion Water Reclamation Plant. On July 11, 2021, the City's major wastewater treatment plant (Hyperion Water Reclamation Plant (the "Plant")) Headworks screening facility experienced a major raw sewage spill. The Plant's relief system was triggered and sewage flows entered the Plant's one-mile outfall, discharging over 12.5 million gallons of untreated sewage into the Santa Monica Bay. The Plant suffered major damage to critical equipment and vehicles. Normal Plant operations resumed on October 22, 2021, following months of cleanup and restoration. As of June 30, 2022, most of the repairs were complete.

Several lawsuits have been filed against the City in connection with this incident under various tort theories (dangerous condition and/or inverse condemnation). The lawsuits identified above of *Mecklenburg* (putative class action), *Abdelnur* (mass tort of approximately 700 plaintiffs), *Konig* (mass tort of approximately 20 plaintiffs), and *Ace* (insurance subrogation) have been determined to be related by the court.

All cases are still in the initial pleading stage. It is too early in the litigation process to evaluate the likelihood of an unfavorable outcome to the City or the amount or range of potential liability.

In addition, there are fees and fines that have been proposed by regulatory agencies in connection with this incident. On March 29, 2023, the Los Angeles Regional Water Quality Control Board filed an administrative complaint alleging a penalty of over \$21.7 million. In addition, the City is aware of other proposed penalties by regulatory agencies totaling upwards of \$30 million. All proposed penalty amounts are not final and still under discussion with the respective regulatory agencies. There may be other regulatory fees and fines proposed, or other action taken, in the future. The City cannot determine at this time the full extent of the financial impact of this incident as costs resulting from any litigation or action taken by regulatory agencies, and other incidental costs/damages are currently unknown but such amounts could be substantial.

6th Street Bridge Sewage Overflow. On July 18, 2016, 2,630,754 gallons of untreated sewage overflowed by the 6th Street Bridge. The State Water Resources Control Board and Regional Water Quality Control Board proposed a penalty on the City in the amount of \$2,971,635. The City is engaged in ongoing settlement discussions with the State in an attempt to resolve this matter.

Fajardo v. City. Plaintiff's operative complaint contains twelve causes of action against the City, including California Fair Employment and Housing Act ("FEHA") claims for retaliation, discrimination, and harassment. Plaintiff's harassment claims also names a former City employee as an individual defendant. Plaintiff alleges that his protected activities include previously filing a lawsuit against the City that was settled in 2013, taking intermittent FMLA leave to take care of his disabled son, testifying at the James Pearl trial in 2017, advocating for the promotion of Chicanos, filing worker's compensation claims, and raising concerns about "illegal" or "improper" work assignments. Plaintiff's protected characteristics are that he identifies as Chicano and has an association with his disabled son. Plaintiff seeks both monetary and non-monetary damages, but has not identified any specific amounts. Trial is scheduled for August 21, 2023. The estimated range of potential liability for the City is between \$100,000 to \$5 million.

Jessy Hernandez v. City. The incident giving rise to the claim occurred on April 1, 2018, when Jesse Hernandez (sometimes spelled Jessy), who was 13 years old at the time, and some of his cousins were playing in an abandoned concrete maintenance shack near the Griffith Park's Travel Town area. While in the shack, Jesse fell about 25 feet into a sewer pipe containing toxic water. Jesse was subject to untreated sewer for approximately 13 hours until he was rescued. A claim on Jesse's behalf has been submitted to the City, seeking damages in the amount of \$5 million. Plaintiff is now seeking damages for future brain injury as a result of chemical exposure. Based upon that, the range of exposure in this case is \$5 million to \$10 million. Evaluation of the potential exposure in this case may change as the City learns more through depositions, medical evaluations of the plaintiff and through other experts. As of April 1, 2023, the parties are in the process of finalizing a settlement agreement within the range of exposure stated above, which is still subject to approval of the City Council and the Mayor.

LaSalle v. City. Plaintiff sued the City and two employees alleging roughly a dozen causes of action based on race: FEHA discrimination, harassment-hostile work environment, retaliation, failure to prevent racial discrimination, assault and battery, discrimination in violation of the Ralph Civil Rights of 1976, Civil Code Section 51.7, intentional infliction of emotional distress, whistleblower retaliation for reporting Labor Code Sections 6310, 6400-6404 reporting health and safety issues, and whistleblower retaliation under Labor Code Section 1102.5. The estimated potential loss is in the range of \$2 million to \$5 million but it is still early in the litigation to determine how likely (and in what amount) liability will be. Trial is set for June 12, 2023.

Pierson v. City. Plaintiff, a Wastewater Collection Supervisor, alleges sixteen causes of action against the City and a City employee based on his status as a sergeant in the U.S. Army and current member of the California Army National Guard under the FEHA, including the California Family Rights Act, California Military & Veteran Code, and the Uniformed Services Employment and Reemployment Rights Act ("USERRA"). He claims that the City retaliated against him for testifying in the case where the jury returned a \$17 million verdict against the City (*Pearl v. City* case), for blowing the whistle on health and safety issues related to masks during the COVID-19 outbreak, and for blowing the whistle on the Bureau of Sanitation's use of Vactor Condor trucks, which had caused injury and death to City workers. He also claims that he was harassed and discriminated against for using family leave. He alleges that the City did not return him to the workstation that he occupied when he returned from military assignment, and that he has not been promoted to Wastewater Manager and has been denied opportunities to serve as an acting manager. He claims FEHA disability discrimination, harassment, and retaliation based on physical disability and post-traumatic stress disorder, along with retaliation under Labor Code Section 1102.5 and violations of the California Military & Veterans Act and USERRA. The case has been set for trial on July 25, 2023. It is still early in the litigation to determine how likely (and in what amount) liability will be but liability in typical retaliation and FEHA disability cases may range from \$1 million to \$2.5 million.

Perez v. City. In March 2021, an employee of a contractor working at HWRP experienced a fatal accident. On January 28, 2022, the family of the decedent filed a lawsuit against the City and other defendants alleging that the death resulted from faulty tank covers, which the City designed and approved the manufacture of, and that a contractor installed. Cal-OSHA conducted an investigation and although it cited the contractor for violations, including serious and willful violations, Cal-OSHA did not cite the City for any issues associated

with the fatal accident. The complaint does not specify any amount of damages, and it is too early in the process to estimate or assess probability of exposure.

FUTURE AMENDMENTS OF SUBORDINATE GENERAL RESOLUTION AND SENIOR GENERAL RESOLUTION

Amendment and Restatement of Subordinate General Resolution

The City is planning to amend and restate the Subordinate General Resolution to include several material amendments. See the Official Statement for the City's Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C, dated March 15, 2022 (<https://emma.msrb.org/P11580258-P11219915-P11641136.pdf>) APPENDIX I- "PROPOSED CHANGES TO SUBORDINATE GENERAL RESOLUTION" for a marked copy of the Amended and Restated Subordinate General Resolution, which shows the amendments and modifications that the City intends to make to the Subordinate General Resolution.

The Amended and Restated Subordinate General Resolution will effectuate several significant amendments to the Subordinate General Resolution, including:

- Amend Section 3.09 of the Subordinate General Resolution to provide that Average Annual Debt Service will be used to calculate the test for the issuance of additional Subordinate Bonds (as compared to Maximum Annual Debt Service, which is currently set forth in the Subordinate General Resolution); and
- Amend Section 6.03 of the Subordinate General Resolution to permit the City to use any monies in the SCM Fund to satisfy the rate covenant and to make other modifications. In addition, the Amended and Restated Subordinate General Resolution will also delete a requirement for independent auditors to deliver a compliance report with respect to Section 6.03(b) of the Subordinate General Resolution because the amendment will allow the use of available monies in the SCM Fund which will introduce financial terms that are not defined by generally accepted accounting principles.

There are other amendments to the Subordinate General Resolution contained within the Amended and Restated Subordinate General Resolution, which investors may consider to be significant.

Under the Subordinate General Resolution, the Amended and Restated Subordinate General Resolution will not become effective until Bondholders owning 51% or more of the then-outstanding Subordinate Bonds have consented to such proposed amendments and the other requirements of the Subordinate General Resolution have been satisfied. The City is planning to effectuate these consents through a "springing consent" process, which means that the City will require the holders of each new Series of Subordinate Bonds that it issues, starting with the Series 2022-C Subordinate Bonds, which closed on April 1, 2022 and the Series 2022-AB Subordinate Bonds, which closed on April 19, 2022, to be deemed to have consented to the Amended and Restated Subordinate General Resolution until the requisite consents have been obtained. As of June 30, 2022, the City had received consent to the Amended and Restated Subordinate General Resolution of approximately 33% of the then-outstanding Subordinate Bonds.

The City has authorized a maximum of \$400 million aggregate principal amount of Subordinate Bonds in the form of Wastewater System Commercial Paper Notes. Under the Subordinate General Resolution, the City may secure a portion of the consents from Bondholders of the Subordinate Bonds from the Bondholders of Wastewater System Commercial Paper Notes, which the City could also secure by requiring future Bondholders of Wastewater System Commercial Paper Notes to be deemed to consent to the Amended and Restated Subordinate General Resolution.

Amendment of Senior General Resolution

The City also plans to amend and restate the Senior General Resolution. Many of the amendments will be conforming amendments to mirror provisions shared by both the Senior General Resolution and the Subordinate General Resolution, including substantially the same changes to Sections 3.09 and 6.03 of the Subordinate General Resolution as described above. The City also plans to make additional amendments to provisions in the Senior General Resolution that are not mirrored in the Subordinate General Resolution, including (among others) the elimination of the Reserve Fund and the Emergency Fund with respect to both existing and future Senior Lien Bonds. The City also plans to secure consents from the holders of the Senior Lien Bonds on a “springing consent” basis by requiring holders of Senior Lien Bonds it issues in the future to be deemed to consent to those amendments. See the Official Statement for the City’s Wastewater System Subordinate Revenue Bonds, Refunding Series 2022-C, dated March 15, 2022 (<https://emma.msrb.org/P11580258-P11219915-P11641136.pdf>) APPENDIX J– “PROPOSED CHANGES TO SENIOR GENERAL RESOLUTION” for a marked copy of the Amended and Restated Senior General Resolution, which shows the amendments and modifications that the City intends to make to the Senior General Resolution.

Anticipated Implementation of the Amended and Restated Subordinate General Resolution and Amendments to Senior General Resolution

Since both the Amended and Restated Subordinate General Resolution and proposed amendments to the Senior General Resolution will be effectuated on a “springing consent” basis, the timing of when the amendments will become effective will largely depend on the timing and sizes of future new money issuances of Senior Lien Bonds and Subordinate Bonds, and the timing and sizes of refundings of Senior Lien Bonds and Subordinate Bonds. In addition, the City’s current intention is to adopt the amendments to both resolutions at the same time after the requisite consents are obtained, which may also have an impact on the timing of the effectiveness of the amendments. While the timing of when the amendments to both resolutions will become effective will depend on a number of factors, the City believes that the amendments to both resolutions may become effective as early as calendar year 2025.