MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns A2 to Los Angeles County Capital Asset Leasing Corporation CA's equipment lease revenue bonds

Global Credit Research - 03 Jun 2014

Outlook is stable; $30 million in debt affected

New York, June 03, 2014 --

Moody's Rating

Issue: Lease Revenue Bonds, 2014 Series A; Rating: A2; Sale Amount: $30,000,000; Expected Sale Date: 6/9/2014; Rating Description: Lease Rental: Abatement

Opinion

Moody's Investors Service has assigned a A2 rating to Los Angeles County Capital Asset Leasing Corporation's Lease Revenue Bonds, 2014 Series A in an estimated amount of $30 million. The outlook is stable.

RATING RATIONALE

The A2 rating reflects the county's emergence from the economic downturn with key credit factors intact and consistent with the current rating. The county's assessed value (AV) stands at an all time high following a relatively small decline in 2011. Lost jobs are recovering, though unemployment remains relatively high. Financial operations are well managed and the large surplus in 2013 will further enhance the county's operational flexibility. Reserve levels are consistent with the rating, although slightly below medians. The debt position remains strong. Low direct debt and lease burden remain key positives. Additional expected long term debt within two to three years should not weigh on the rating. The county's unfunded pension and Other Post Retirement Benefits (OPEB) liability represent long term risks for the county's rating.

The three-notch distinction between the county's A2 rated leases and its issuer rating of Aa2 reflects the weaker security provided by the equipment leases securing these obligations.

KEY CREDIT STRENGTHS

-Large and diverse economy with steady recovery

-Strong financial management with steady reserves

-Strong debt position and low lease burden

KEY CREDIT CHALLENGES

-Large health care burden

-Potentially oversized OPEB burden

Outlook

Moody's outlook on Los Angeles County's long-term ratings is stable. The stable outlook reflects the county's demonstrated ability to preserve its financial position through challenging economic and financial cycles. The financial health with which the county emerges from the expected fiscal challenges in the coming years will be an important contributor to future rating considerations.

WHAT COULD MAKE THE RATING GO UP

-Long term financial stability of the county's health system with structural budgetary balance

-Significant improvement in the area economy with fundamental improvement in area income levels

WHAT COULD MAKE THE RATING GO DOWN

-Significant deterioration of the county's financial position

-Potential weight of pension and OPEB benefits

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. An additional methodology used in this rating was The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations published in December 2011. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

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