

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns a MIG 1 to LA County's (CA) TRAns

Global Credit Research - 29 May 2015

Rating Applies to \$900M

LOS ANGELES (COUNTY OF) CA
Counties
CA

Moody's Rating

ISSUE	RATING
2015-16 Tax and Revenue Anticipation Notes	MIG 1
Sale Amount \$900,000,000	
Expected Sale Date 06/05/15	
Rating Description Note: Tax and/or Revenue Anticipation	

Moody's Outlook STA

NEW YORK, May 29, 2015 --Moody's Investors Service has assigned a MIG 1 rating the Los Angeles County's \$900 million 2015-2016 Tax and Revenue Anticipation Notes (TRAns).

SUMMARY RATING RATIONALE

The MIG 1 rating incorporates the county's Aa2 Issuer rating of the county, the modest amount of short-term borrowing relative to the county's projected cash receipts, the early set aside of cash well in advance of the maturity of the notes, and the county's history of conservative budgeting. The rating also factors in the county's narrow general fund cash balances, although it has a significant amount of liquidity against which the county could borrow for short periods of time.

OUTLOOK

Outlooks are not assigned to short-term ratings.

WHAT COULD MAKE THE RATING GO UP

- Not Applicable

WHAT COULD MAKE THE RATING GO DOWN

- Significant lowering of the outstanding long term rating
- Higher than anticipated reduction of cash position

STRENGTHS

- Highly rated county
- Moderate amount of note borrowing relative to receipts
- Actual cash flow results have been consistently better than projections
- Ample alternate liquidity

CHALLENGES

- Significant revenue dependence on the state

RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale.

DETAILED RATING RATIONALE

LONG TERM CREDIT QUALITY

The county's Aa2 Issuer rating reflects the county's emergence from the economic downturn with key credit factors intact. The county's assessed value (AV) stands at an all-time high following a relatively small declines in 2010 and 2011. The labor market is recovering, though the unemployment rate remains higher than state and US levels. Financial operations are well managed and reserve levels are generally in line with similarly rated counties. The debt position remains strong. Low direct debt and lease burden remain key positive credit factors. The county's unfunded pension and Other Post Retirement Benefits (OPEB) liability represent long term risks for the county's rating but are currently manageable.

CASH FLOW

The county is projecting its fiscal year 2016 ending cash position to be \$361 million, which represents a very narrow 1.9% of projected receipts. Positively, the county is consistently conservative in its projections. Actual results for the prior ten years show the county similarly outperforming original projections.

For the current fiscal year (2015), the county's estimate for its cash level to exceed its original cash projection by \$362 million. The primary drivers behind this positive variance includes property taxes and welfare advances exceeding projections. As a result, year-ending cash should be approximately \$777 million, which is 4.2% of total revenue (net of TRAN repayment). The county has substantial alternate liquidity to offset its narrow general fund cash levels, however. While these funds are not pledged to note holders, they nonetheless provide a measure of credit support. The county has projected a total of \$1.41 billion of alternate liquidity available at fiscal year-end 2015. Together with the pledged revenue, this amount represents a solid 11% of total FY 2015 receipts.

DEBT POSITION AND LEGAL COVENANTS

The county is an annual issuer of short-term tax and revenue anticipation notes, as this borrowing provides relief against the volatility of its cash flow receipts. The county's revenues peak in December-January and April-May, reflecting the semi-annual property tax receipts, while monthly expenditures remain fairly constant throughout the year. This year's TRAN borrowing is low, representing 5% of projected fiscal 2016 receipts. This year's TRAN issuance is level to the prior year and due to the county's continued improving financial position, management reports that future issuances may be consistent to levels prior to fiscal 2010 (\$500 million).

The TRANS will be dated as of July 1, 2015 and mature on June 30, 2016.

The county's dollar-weighted-average set-aside is a sound 5.1 months before the fiscal year-end. The county pledges to set aside 70% of the TRAN's principal in January and all of the TRAN's debt service in April.

MANAGEMENT

The county's management has a long standing practice of utilizing conservative budgeting assumptions and has consistently outperformed original cash flow projections for over a decade.

KEY STATISTICS

- Long-term Issuer Rating: Aa2/stable
- 2015 Cash balance as a % of total receipts: 4% and 11.5% (including borrowable resources)
- Timing of Receipts: Sufficient cash is available more than 30 days prior to maturity
- Amount Borrowed as a % of Receipts: 4.7%
- Segregation of Funds: Weighted-average set-aside is a sound 5.1 months

OBLIGOR PROFILE

Los Angeles County serves a population of over 10 million and has a highly diversified economic base. The county's improving wealth levels continue to approximate nationwide medians. Estimated 2012 Median Family Income is 97.0% of the US, while in 2000 it stood at 92.8%.

LEGAL SECURITY

The notes are secured by a pledge of unrestricted, fiscal 2016 general fund receipts.

USE OF PROCEEDS

The Notes are issued to fund the County's cash flow needs.

RATING METHODOLOGY

The principal methodology used in this rating was Short-Term Cash Flow Notes published in April 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

Alexandra J. Cimmiyotti
Lead Analyst
Public Finance Group
Moody's Investors Service

Shelby Schwabauer
Backup Analyst
Public Finance Group
Moody's Investors Service

Gregory W. Lipitz
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.

250 Greenwich Street
New York, NY 10007
USA



© 2015 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

For Japan only: MOODY'S Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of MOODY'S Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.