Los Angeles County, CA
New Issue: Moody's Assigns MIG 1 to Los Angeles County, CA's 2017-2018 TRANs

Summary Rating Rationale
Moody's Investors Service has assigned a MIG 1 rating to Los Angeles County, CA's $800 million Tax and Revenue Anticipation Notes. The MIG 1 rating reflects the county's strong long-term credit quality, excellent management team, as measured by the accuracy of past projections and reasonable future cash flow assumptions, and ample alternate funds available for note repayment. The rating further incorporates the predictability of revenues and timing of receipts for repayment, with note holder protections that include the segregation of repayment funds into a dedicated fund held by the county.

Credit Strengths
» Highly rated county
» Low amount of note borrowing relative to receipts
» Actual cash flow results have been consistently better than projections
» Ample alternate liquidity

Credit Challenges
» Significant revenue dependence on the state

Rating Outlook
Outlooks are usually not assigned to short-term ratings

Factors that Could Lead to an Upgrade
» Not applicable

Factors that Could Lead to a Downgrade
» Significant reduction in anticipated cash position
» Erosion of alternate sources of liquidity
» Significant lowering of the outstanding long term rating
Key Indicators

Exhibit 1

<table>
<thead>
<tr>
<th>Los Angeles (County of) CA</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economy/Tax Base</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Full Value ($000)</td>
<td>$1,070,483,326</td>
<td>$1,093,824,574</td>
<td>$1,145,207,970</td>
<td>$1,207,822,625</td>
<td>$1,282,484,495</td>
</tr>
<tr>
<td>Full Value Per Capita</td>
<td>$107,999</td>
<td>$109,175</td>
<td>$113,736</td>
<td>$118,507</td>
<td>$125,072</td>
</tr>
<tr>
<td>Median Family Income (% of US Median)</td>
<td>97.0%</td>
<td>98.2%</td>
<td>95.2%</td>
<td>95.0%</td>
<td>95.0%</td>
</tr>
<tr>
<td><strong>Finances</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue ($000)</td>
<td>$13,854,364</td>
<td>$14,611,055</td>
<td>$15,210,968</td>
<td>$15,457,073</td>
<td>$16,192,098</td>
</tr>
<tr>
<td>Fund Balance as a % of Revenues</td>
<td>17.1%</td>
<td>18.2%</td>
<td>18.9%</td>
<td>19.1%</td>
<td>18.9%</td>
</tr>
<tr>
<td>Cash Balance as a % of Revenues</td>
<td>15.3%</td>
<td>11.9%</td>
<td>13.3%</td>
<td>17.9%</td>
<td>20.1%</td>
</tr>
<tr>
<td><strong>Debt/Pensions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Direct Debt ($000)</td>
<td>$1,822,805</td>
<td>$1,879,522</td>
<td>$1,585,747</td>
<td>$1,668,075</td>
<td>$1,759,593</td>
</tr>
<tr>
<td>Net Direct Debt / Operating Revenues (%)</td>
<td>0.1x</td>
<td>0.1x</td>
<td>0.1x</td>
<td>0.1x</td>
<td>0.1x</td>
</tr>
<tr>
<td>Net Direct Debt / Full Value (%)</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Moody’s - adjusted Net Pension Liability (3-yr average) to Revenues (%)</td>
<td>1.2x</td>
<td>1.6x</td>
<td>1.7x</td>
<td>1.8x</td>
<td>1.7x</td>
</tr>
<tr>
<td>Moody’s - adjusted Net Pension Liability (3-yr average) to Full Value (%)</td>
<td>1.6%</td>
<td>2.1%</td>
<td>2.2%</td>
<td>2.3%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

Source: Moody's Investors Service

Detailed Rating Considerations

Long Term Credit Quality: Strong Long-Term Credit Fundamentals

The county's Aa2/positive outlook Issuer rating reflects the county's exceptionally large assessed value that stands at an all-time high at $1.3 trillion and the large and diverse economy with an unemployment rate that is below both the state and the nation. Financial operations are well managed and supported by healthy reserve levels and the debt burden remains modest. The rating also incorporates the county's unfunded pension and OPEB liabilities representing long-term, but manageable, risks for the county.

Cash Flow: Healthy Cash Position Based On Conservative Assumptions

For the current fiscal year (2017), the county estimates its cash level to exceed its original cash projection by $1.1 billion. The primary driver behind this positive variance is tight expenditure controls which generated savings across all departments. As a result, year-ending cash should be approximately $1.6 billion, which is 8.6% of total revenue (net of TRAN repayment). According to our methodology, we expect to see ending cash from pledged funds at least 5% of total receipts for the MIG 1 rating level, which the county's cash balance exceeds.

The receipt of revenue is highly reliable and does not depend on voter approval. Pledged receipts largely consist of property taxes, which have scheduled and timely collection dates and very low delinquency rates less than 1.1%.

LIQUIDITY

The county is projecting its fiscal year 2018 ending cash position to be $625 million, which represents a low 3% of projected receipts. However, the county is likely to produce actual results much stronger than projections. The county is consistently conservative in its projections and salary increases for employees have been settled through fiscal 2018, which adds a level of certainty for the largest expenditure item for the county. Actual results for the past ten years show the county similarly outperforming original projections.

Adding additional credit strength is the county's alternate, but not legally pledged, funds available for TRAN repayment. Management expects to have approximately $1.4 billion of available funds held outside the general fund for note repayment should the county need access to additional cash at maturity. We incorporate a net alternate liquidity amount of $1.3 billion into our analysis, adjusting solely for the county's tax revenues held in the tax collector trust fund. While we do not anticipate these available funds to be needed for note repayment, the availability of these monies adds strength to the TRAN rating. The county's fiscal 2018 projected total available liquidity, including adjusted alternate sources, will be approximately 9.2% of total revenues.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.
Debt Position and Legal Covenants: Strong Set Aside Plan for Note Repayment
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 the same amount as the prior year and represents a low 3.9% of projected fiscal 2018 receipts.

The county’s dollar-weighted-average set-aside is a sound 4.1 months before the fiscal year-end. The county pledges to set aside 78% of the TRAN’s principal in January and the remaining TRAN’s debt service in April.

DEBT STRUCTURE
The TRANS will be dated as of July 3, 2017 and mature on June 29, 2018.

DEBT-RELATED DERIVATIVES
The county has no debt-related derivatives.

PENSIONS AND OPEB
The county’s three-year adjusted net pension liability (ANPL) is moderate at 2.2% of assessed value and 1.7 times operating revenues, which equate to an A-rating score on our scorecard. Moody’s ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county’s reported liability information, but to improve comparability with other rated entities.

The county’s OPEB liability is a sizeable $26.8 billion in an effort to stem the looming burden of its OPEB liability, the county established an irrevocable OPEB trust in 2012. As of March 31, 2017, the trust had a net position of $664 million. The Board of Supervisors adopted a funding plan commencing in fiscal 2016 that would enable the county to fully fund its annual contribution ($2.2 billion) by fiscal 2028. Further, the county has eliminated spousal and dependent coverage and implemented mandatory enrollment in Medicare. This is expected to save more than $840 million in savings over the next 30 years.

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.

Legal Security
The notes are secured by a pledge of unrestricted fiscal 2018 general fund receipts.

Use of Proceeds
The notes are being issued to fund the county’s 2018 fiscal year cash flow needs.

Obligor Profile
Los Angeles County is largest county in the nation both by size ($1.3 trillion tax base) and population (10.2 million). The county has a large and divers economy and the unemployment rate is low at 4.3% (March 2017) which is below both the national (4.6%) and state (5.1%) unemployment rates.

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

Ratings

Exhibit 2
Los Angeles (County of) CA

<table>
<thead>
<tr>
<th>Issue</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-18 Tax Revenue Anticipation Notes</td>
<td>MIG 1</td>
</tr>
<tr>
<td>Rating Type</td>
<td>Underlying ST</td>
</tr>
<tr>
<td>Sale Amount</td>
<td>$800,000,000</td>
</tr>
</tbody>
</table>
Expected Sale Date: 06/13/2017
Rating Description: Note: Tax and/or Revenue Anticipation

Source: Moody's Investors Service
MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

Ranging from JPY200,000 to approximately JPY350,000,000.

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 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 Japanese regulatory requirements.

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

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF 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 CAUSED TO ANY PERSON OR ENTITY, INCLUDING, BUT NOT LIMITED TO, DIRECT, INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY OR PUNITIVE DAMAGES, REGARDLESS OF THE FORM OF ACTION WHETHER IN CONTRACT, TORT, OR OTHERWISE, ARISING FROM THE USE OF, INABILITY TO USE, OR ANY ERRORS OR OMISSIONS IN THE INFORMATION CONTAINED HEREIN OR ANY FAILURE TO DELIVER OR DISSEMINATE SUCH INFORMATION.

© 2017 Moody’s Corporation, Moody’s Investors Service, Inc., Moody’s Analytics, Inc. and/or their licensors and affiliates (collectively, “MOODY’S”). All rights reserved.