Los Angeles County Public Works Financing Authority, CA's Series 2010A & B Bonds Rated 'A+'; Outlook To Pos On Par Debt

Primary Credit Analyst:
David G Hitchcock, New York (1) 212-438-2022; david_hitchcock@standardandpoors.com

Secondary Credit Analyst:
Gabriel Petek, CFA, San Francisco (1) 415-371-5042; gabriel_petek@standardandpoors.com

NEW YORK (Standard & Poor's) Oct. 25, 2010--Standard & Poor's Ratings Services assigned its 'A+' long-term rating to Los Angeles County Public Works Financing Authority, Calif.'s lease revenue bonds, multiple capital projects I, series 2010A (tax-exempt) and series 2010B (Build America bonds/Recovery Zone Economic Development bonds).

At the same time, Standard & Poor's revised the outlook to positive from stable on its 'AA-' issuer credit rating (ICR) on Los Angeles County and its 'A+' long-term rating on the county's lease-secured debt and pension obligation bonds outstanding. The outlook on the series 2010A and 2010B bonds is also positive.

"The ratings on the series 2010A and 2010B bonds, and other lease secured debt, reflect our opinion of the long-term creditworthiness of Los Angeles County, as well as a covenant to budget and appropriate pledged lease payments on the individual leased assets pledged to each bond series, subject to abatement in the event of damage or impairment to the leased properties," said Standard & Poor's credit analyst David Hitchcock.

The 'AA-' ICR and the county's long-term general creditworthiness reflect what we view as:
• A very large, deep, and diverse economic base, although one currently experiencing elevated unemployment levels;
• Very strong unreserved general fund balances; and
• Low debt.
Los Angeles County Public Works Financing Authority, CA's Series 2010A & B Bonds Rated 'A+'; Outlook To Pos
On Par Debt

Partially offsetting our view of the above factors is our view of Los Angeles County's responsibility for health care and social service spending for a large urban population, combined with limited revenue-raising capability and a discretionary budget that is a relatively small share of the total budget, as well as the long-term need to address a large $2.5 billion unfunded other postemployment benefits (OPEB) liability.

The positive outlook reflects our view of Los Angeles County's maintenance of what we consider to be very strong fund balances in a period of rising AV. If the county is able to maintain its very strong fund balances through timely budget-closing action in the next two fiscal years, despite current economic challenges, possible future state programs cuts, ongoing health system deficits, and projected moderate future declines in AV, we could raise the rating. The outlook also recognizes what we believe to have been recent county conservative budgeting practices and the depth and diversity of its economy. We believe Los Angeles County will face potential rising social service and indigent health care costs if economic weakness continues, but the property tax base will also be buffered by what we consider to be substantial underassessment of older properties as the result of Proposition 13's previous limitations on AV increases. Should fund balances decline materially in the next two years, we could revise the outlook to stable.

The pension obligation bonds are secured by the county's covenant to budget and appropriate payments for debt service, but without a pledge of unlimited ad valorem revenues.

We understand that the series 2010A and B bond proceeds will be used to finance various projects, including the county's Harbor-UCLA Medical Center, seismic retrofitting at the Olive-View Medical Center, rehabilitation of the County Hall of Justice, and improvements at the county's Coroner Crypt building, as well to refinance the commercial paper used to fund these projects.

RELATED CRITERIA AND RESEARCH
• USPF Criteria: Appropriation-Backed Obligations, June 13, 2007
• USPF Criteria: GO Debt, Oct. 12, 2006
• USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

Complete ratings information is available to RatingsDirect subscribers on the Global Credit Portal at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.
S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Copyright © 2012 by Standard & Poor’s Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor’s Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an “as is” basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT’S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P’s opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P Party keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P’s public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.