In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from State of California personal income. See "TAX MATTERS" herein.

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings:
Fitch: "AA"
Moody's: "Aa2"
S&P: "AA+"
(See "RATINGS" herein.)

$23,465,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2020 SERIES A
(LAC-CAL Equipment Program)

Dated: Date of Delivery **Due: June 1 and December 1, as shown on the inside cover page**

The Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2020 Series A (LAC-CAL Equipment Program) (the "Bonds"), are being issued to finance the acquisition of certain equipment, machinery, vehicles and other tangible personal property to be leased to the County of Los Angeles, California (the "County") pursuant to a Lease Agreement, dated as of July 1, 2020 (the "Lease") by and between the County, as lessee, and the Los Angeles County Capital Asset Leasing Corporation, as lessor (the "Corporation"). Principal of and interest on the Bonds are payable from Base Rental payments to be made by the County pursuant to the Lease and from certain other sources, as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds will be issued in authorized denominations of $5,000 and any integral multiple thereof. Interest on the Bonds will be payable semiannually each June 1 and December 1, commencing on December 1, 2020. The Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS" herein and APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

The Bonds are not subject to optional redemption prior to maturity. The Bonds are subject to extraordinary redemption prior to maturity, as described herein. See "THE BONDS-Redemption" herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS RECEIVED PURSUANT TO THE LEASE AND FROM AMOUNTS HELD BY THE TRUSTEE IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED BY THE INDENTURE. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL AND ADDITIONAL RENTAL UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL OR ADDITIONAL RENTAL UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA. UNDER CERTAIN CIRCUMSTANCES, BASE RENTAL MAY BE ABATED UNDER THE LEASE.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued subject to the approval as to their legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation. Certain legal matters will be passed upon for the County and the Corporation by County Counsel. It is anticipated that the Bonds will be available for delivery to DTC on or about July 23, 2020.

Dated: July 15, 2020

MATURITY SCHEDULE

$23,465,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2020 SERIES A
(LAC-CAL Equipment Program)

Maturity	Principal Amount	Interest Rate	Yield	CUSIP†
December 1, 2020	$6,875,000	5.00%	0.12%	54466LFS1
June 1, 2021	7,380,000	5.00	0.13	54466LFT9
December 1, 2021	6,405,000	5.00	0.14	54466LFU6
June 1, 2022	2,560,000	5.00	0.15	54466LFV4
December 1, 2022	245,000	5.00	0.15	54466LFW2

† Copyright 2020, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the County or the Corporation and are included solely for the convenience of the registered owners of the Bonds. Neither the County nor the Corporation are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2020 SERIES A
(LAC-CAL Equipment Program)

BOARD OF SUPERVISORS

Kathryn Barger
Fifth District, Chair

Hilda L. Solis
First District

Mark Ridley-Thomas
Second District

Sheila Kuehl
Third District

Janice Hahn
Fourth District

Celia Zavala
Executive Officer-Clerk
Board of Supervisors

COUNTY OFFICIALS

Sachi A. Hamai
Chief Executive Officer

Mary C. Wickham
County Counsel

Keith Knox
Treasurer and Tax Collector

Arlene Barrera
Auditor-Controller

Public Resources Advisory Group
Municipal Advisor

U.S. Bank National Association
Trustee

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Corporation.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. All estimates, projections, forecasts or matters of opinion are "forward looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future.

Certain of the information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY, THE CORPORATION AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

TABLE OF CONTENTS

Page

INTRODUCTION 1
General Description 1
General Terms of the Bonds 1
Security and Sources of Payment for the Bonds 1
The County 2
Limited Liability 2
Continuing Disclosure 2
COVID-19 3

ESTIMATED SOURCES AND USES OF FUNDS 3

THE BONDS 3
General Provisions 3
Redemption 4

SECURITY AND SOURCES OF PAYMENT OF THE BONDS 5
Base Rental and Additional Rental 5
No Reserve Fund 6
Substitution of Equipment Components 6
Abatement 7
Insurance 7
No Acceleration Upon an Event of Default 7
Investment of Funds and Accounts 7
Description of the Equipment 8

THE CORPORATION 8

RISK FACTORS 8
Not a Pledge of Taxes 8
Additional Obligations of the County 9
No Acceleration Upon an Event of Default; Limitations on Remedies 9
Adequacy of County Insurance Reserves or Insurance Proceeds 10
Abatement 10
Bankruptcy 10
COVID-19 and Related Impacts on the County 11
The County's Fiscal Year 2020-21 Recommended Budget 12
Financial Conditions in Local, State and National Economies 12
Cybersecurity 12
No Liability of Corporation to the Bondowners 13

TAX MATTERS 13
Opinion of Bond Counsel 13
Certain Ongoing Federal Tax Requirements and Covenants 14
Certain Collateral Federal Tax Consequences 14
Original Issue Discount 14
Bond Premium 15

Information Reporting and Backup Withholding 15
Miscellaneous 15

CERTAIN LEGAL MATTERS 16

FINANCIAL STATEMENTS 16

RATINGS 16

LITIGATION 16

MUNICIPAL ADVISOR 17

CONTINUING DISCLOSURE 17

UNDERWRITING 17

ADDITIONAL INFORMATION 17

APPENDIX A - THE COUNTY OF LOS ANGELES INFORMATION STATEMENT A-1
APPENDIX B - THE COUNTY OF LOS ANGELES FINANCIAL STATEMENTS B-1
APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS C-1
APPENDIX D - PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL D-1
APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE E-1
APPENDIX F - BOOK-ENTRY SYSTEM F-1

$23,465,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2020 SERIES A
(LAC-CAL Equipment Program)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the entire Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to in this Official Statement do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings set forth in the Indenture and the Lease. See APPENDIX C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Definitions."

General Description

This Official Statement, including the cover page and attached Appendices (the "Official Statement"), provides certain information concerning the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2020 Series A (LAC-CAL Equipment Program) (the "Bonds") in the aggregate principal amount of $23,465,000. The Bonds will be issued pursuant to Chapter 10 (commencing with Section 5800) of Division 6 of Title 1 of the California Government Code and an Indenture of Trust, dated as of July 1, 2020 (the "Indenture"), by and between the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be used to (i) redeem certain bond anticipation notes of the County (the "BANs that financed the acquisition of certain equipment, machinery, vehicles, and other tangible personal property (as more fully described herein, the "Equipment") and (ii) pay the costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Equipment will be leased pursuant to the Lease Agreement, dated as of July 1, 2020 (the "Lease"), by and between the Corporation and the County of Los Angeles (the "County").

General Terms of the Bonds

The Bonds are dated and will mature on the dates and in the principal amounts and will bear interest at the respective rates per annum, all as set forth on the cover page of this Official Statement. Interest on the Bonds is payable on June 1 and December 1, commencing on December 1, 2020 (each, an "Interest Payment Date"). The Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Bonds will be delivered in book-entry form only and when issued and authenticated, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds are not subject to optional redemption prior to maturity, but are subject to extraordinary redemption as described herein. See "THE BONDS" herein.

Security and Sources of Payment for the Bonds

Under the Lease, in consideration for the use and possession of the Equipment, the County is required to make certain payments designated as Base Rental ("Base Rental") in the amounts, at the times and in the manner set forth in the Lease. The County is also required to make certain payments designated as Additional Rental ("Additional Rental") pursuant to the Lease. Pursuant to the Indenture, the Trustee will apply Base Rental payments received from the County to pay principal of and interest on the Bonds.

The County has covenanted in the Lease to pay the Base Rental due thereunder from any source of legally available funds, and to take such action as may be necessary to include all Base Rental and Additional Rental in its annual budget, and to make the necessary annual appropriations for all such Base Rental and Additional Rental (except to the extent such payments are abated as described herein). However, the County is not obligated to levy or pledge any form of taxation in order to pay such Base Rental and Additional Rental for the rental of the Equipment, nor has the County done so.

Payments under the Lease, except for certain moneys more particularly described in the Lease, will be abated in whole or in part during any period in which, by reason of damage, destruction or theft, there is substantial interference with the County's right of use or possession of the Equipment or any portion thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The County

The County is located in the southern coastal portion of the State of California (the "State") and covers 4,083 square miles. The County was established under an act of the State Legislature on February 18, 1850. It is the most populous county in the nation and, in terms of population, is larger than 41 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, agriculture and tourism. For additional economic and demographic information with respect to the County, see APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT" and APPENDIX B – "COUNTY OF LOS ANGELES FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

Limited Liability

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS RECEIVED PURSUANT TO THE LEASE AND FROM AMOUNTS HELD BY THE TRUSTEE IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED BY THE INDENTURE. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL AND ADDITIONAL RENTAL UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL OR ADDITIONAL RENTAL UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA. UNDER CERTAIN CIRCUMSTANCES, BASE RENTAL MAY BE ABATED UNDER THE LEASE.

Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate dated the date of issuance of the Bonds (the "Continuing Disclosure Certificate"), the County will covenant to provide certain financial information and operating data relating to the County by not later than April 1 of each year, commencing April 1, 2021, for the prior fiscal year, in the form of an annual report (the "Annual Report"), and, no later than ten (10) business days after their occurrence, notice of the occurrence of the certain listed events set forth in Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. Certain of the events set forth under Rule 15c2-12 do not apply to the Bonds. See "CONTINUING DISCLOSURE" herein and Appendix E — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the underwriters in complying with Rule 15c2-12.

COVID-19

The recent global outbreak of the novel coronavirus COVID-19 ("COVID-19"), a respiratory disease declared to be a pandemic (the "Pandemic") by the World Health Organization, is significantly affecting the national capital markets and national, state and local economies. The State announced that its General Fund will be materially adversely impacted by the health-related and economic impacts of the Pandemic. Unemployment in the United States has dramatically increased as a result of the outbreak. Both the State and the County have taken actions designed to mitigate the spread of COVID-19, including requiring the temporary closure of non-essential businesses. The State has stated that the negative impact on revenues will be immediate, affecting the current fiscal year and several fiscal years in the future. See Appendix A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – 2020-21 State Budget."

The ongoing Pandemic and the actions taken by the federal, State, and local governments have had an immediate impact on County operations and finances, drastically increasing expenditures and reducing revenues. The actual impact of COVID-19 on the County, its economy and its finances will depend on future events, including future events outside of the control of the County, and actions by the federal government and the State. The County cannot predict the extent or duration of the Pandemic or what overall impact it may have on the County's financial condition or operations. Any financial information, including projections, forecasts and budgets presented herein do not yet account for the potential effects of COVID-19, unless specifically referenced. For further information concerning the potential effects of the Pandemic on the County, see Appendix A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – ECONOMIC AND DEMOGRAPHIC INFORMATION."

ESTIMATED SOURCES AND USES OF FUNDS

The Bond proceeds and other funds are expected to be applied approximately as set forth below:

SOURCES:	
Principal Amount of Bonds	$23,465,000.00
Original Issue Premium	1,105,645.40
County Contribution	10,630,008.91
TOTAL SOURCES	$35,200,654.31
USES:	
Redemption of BANs	$35,000,000.00
Costs of Issuance Account [1]	193,614.81
Underwriter's Discount	7,039.50
TOTAL USES	$35,200,654.31

[1] Includes rating agency fees, certain legal fees, municipal advisory fees, trustee fees, electronic bid fees and printing costs.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference.

General Provisions

The Bonds will be dated, will mature on the dates in the respective principal amounts, and will bear interest at the respective rates per annum, all as set forth on the inside cover page of this Official Statement.

Interest on the Bonds will be computed using a year of 360 days comprised of twelve 30-day months and is payable on each Interest Payment Date, commencing on December 1, 2020. The Bonds will be delivered in book-entry form only and when issued, authenticated and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive Bonds representing their ownership interests in the Bonds purchased. Principal of and interest on the Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to its Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

Redemption

No Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

Extraordinary Redemption. The Bonds are subject to extraordinary redemption prior to maturity in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued but unpaid interest to the redemption date, without premium, from amounts deposited in the Redemption Account of the Bond Fund pursuant to the Indenture following an event of theft, damage or destruction of the Equipment or a portion thereof to the extent that Base Rental payments with respect to the remaining Outstanding Bonds do not exceed the fair rental value for the use and possession of the portions of the Equipment not damaged or destroyed, as determined by the County.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of Bonds and less than all Outstanding Bonds are to be redeemed, the Bonds to be redeemed shall be selected proportionately among maturities, and within a maturity, the Trustee shall select Bonds for redemption by lot. The portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. When redemption is required pursuant to the Indenture, the Trustee shall give notice of the redemption of the Bonds to each owner of a Bond to be redeemed. The notice shall specify: (a) that the Bond or a designated portion thereof (in the case of redemption of a Bond in part but not in whole) is to be redeemed, identifying each such Bond by its Bond number unless all Outstanding Bonds or all Outstanding Bonds of the particular maturity or maturities are to be redeemed, in which case the notice need only indicate that all Outstanding Bonds, or all Outstanding Bonds of a particular maturity or maturities (specifying each such maturity) are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of any paying agent, (d) the redemption price, (e) CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the amount of such Bond to be redeemed, and (g) the original date and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified redemption date, the redemption price, together with interest accrued to the redemption date, shall become due and payable and that, from and after such date, interest on the Bonds to be redeemed on the redemption date shall cease to accrue and be payable. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers set forth therein or on the Bonds. Such redemption notice may state that such redemption may be conditional upon the receipt by the Trustee of moneys sufficient to pay the principal of, and interest on such Bonds to be redeemed.

The Trustee shall give notice by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the redemption date to the owners of Bonds designated for redemption at their addresses appearing on the Bond Register as of the close of business on the day before such notice is given. Neither failure to receive any such notice nor any defect in such notice shall affect the sufficiency of the proceedings

for the redemption of any Bond. Such redemption notice shall also be given at least 30 days before the redemption date, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service, to DTC and to one of the Information Services. Neither failure to give the notice described in the immediately preceding sentences nor any defect in the notices shall in any manner affect the redemption of any Bond.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Trustee shall execute and deliver to the owner thereof a new Bond or Bonds of authorized denominations equal in aggregate principal amount, maturity and interest rate to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment or provision of the payment of the amount required to be paid to such Bondowner, and the Lessor and the Trustee shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. Notice having been given as prescribed by the Indenture, and the money for the redemption (including the interest to the applicable date of redemption) having been set aside in the Redemption Account in the Bond Fund or otherwise segregated for such purpose, the Bonds or portions thereof to be redeemed shall become due and payable on the date of redemption.

If on the redemption date, money for the redemption of all Bonds to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor, and if notice of redemption thereof shall have been given as described in the Indenture, then, from and after the redemption date, no additional interest shall become due on the Bonds to be redeemed. All money held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Bondowners to be so redeemed.

SECURITY AND SOURCES OF PAYMENT OF THE BONDS

Base Rental and Additional Rental

The Lease requires the County to pay Base Rental for the use and possession of the Equipment and to pay, as Additional Rental, any taxes, assessments and insurance premiums with respect to the Equipment and to the extent not paid out of proceeds of the Bonds, the fees and expenses of the Trustee and any paying agent in connection with the authentication of the Bonds and the performance and enforcement of the Lease and the Indenture. The County has agreed to deposit the Base Rental payable under the Lease on each Lease Payment Date with the Trustee. "Lease Payment Date" under the Lease means a date before each Interest Payment Date. The County's obligation to pay Base Rental under the Lease shall commence on the date of issuance of the Bonds. The County has covenanted in the Lease to pay Base Rental from any source of legally available funds, and to take such action as may be necessary to include all Base Rental and Additional Rental Payments for the Equipment in its annual budgets and to make the necessary annual appropriations therefor (except to the extent such payments are abated as permitted under the Lease). See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Lease - Abatement."

Base Rental payments are scheduled to be paid as set forth below:

Lease Payment Date[1]	Principal Component	Interest Component	Base Rental Payment
December 1, 2020	$6,875,000.00	$417,155.56	$7,292,155.56
June 1, 2021	7,380,000.00	414,750.00	7,794,750.00
December 1, 2021	6,405,000.00	230,250.00	6,635,250.00
June 1, 2022	2,560,000.00	70,125.00	2,630,125.00
December 1, 2022	245,000.00	6,125.00	251,125.00

[1] Due on or before each Interest Payment Date.

Pursuant to the Indenture, the Corporation has assigned to the Trustee, for the benefit of the Bondowners, all of its rights in and to the Lease, including the right to receive Base Rental payments and the right to enforce payment of Base Rental when due, but excluding the Corporation's rights to the payment of its expenses, to indemnification and certain other rights set forth in the Indenture. See APPENDIX C— "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS— Indenture."

The Bonds are special obligations of the Corporation payable solely from Base Rental payments received pursuant to the Lease and from amounts held by the Trustee in certain funds and accounts established by the Indenture. The obligation of the County to pay Base Rental and Additional Rental under the Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to pay Base Rental or Additional Rental under the Lease constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of the Constitution of the State of California. Under certain circumstances, Base Rental may be abated under the Lease.

Any component of the Equipment may be modified for the County's use after the execution and delivery of the Lease, provided that such modification is in compliance with the terms of the Lease, which requires, among other things, that any such modification will not cause the modified Equipment to have a value less than its value prior to the modification.

No Reserve Fund

There will not be a Reserve Fund established for the Bonds.

Substitution of Equipment Components

The County shall, at any time, have the right to substitute any item of personal property of comparable value to and a Useful Life not less than the remaining Useful Life of, the Equipment Component to be substituted, but only by providing the Trustee with (a) a written certificate (i) describing both the new Equipment Component and the Equipment Component for which it is to be substituted, and stating that such new Equipment Component is of comparable value and has a Useful Life not less than the Useful Life of the Equipment Component for which it is being substituted and (ii) stating that such substitution will not result in an abatement of Rental Payments, and (b) a new Equipment description for the Lease, which shall include the substitute Equipment Components and which shall supersede in its entirety the then existing description attached to Lease. As a result of any substitution of Equipment Components pursuant to the Lease, there shall be no reduction in the Base Rental due from the Lessee under the Lease and there shall be no reduction in the aggregate fair rental value of the Equipment as a result of such substitution. See

APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Lease – Substitution of Equipment Components."

Abatement

A proportionate amount of Base Rental shall be abated during any period in which, by reason of damage, destruction, theft or otherwise, there is substantial interference with the use and possession of any component of the Equipment by the County. There shall be no abatement of Base Rental to the extent that moneys are (a) on deposit in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and (b) otherwise legally available to the County and transferred to the Trustee for the purpose of making Base Rental, and are available to pay the amount which would otherwise be abated. The amount of any abatement shall be such that the resulting Base Rental in any Fiscal Year during which such interference continues, excluding any amounts described in clauses (a) through (c) above, does not exceed the fair rental value for the use and possession of the portions of the Equipment not damaged or destroyed. Such abatement shall commence on the date of theft, damage or destruction and shall end with the substantial completion of the work of repair of the Equipment or any affected portion of the Equipment, or the delivery of replacement Equipment or portions thereof. Additional Rental shall not be abated so long as a significant portion of the Equipment or portions thereof remains available for the use and possession of the County. Except as provided in the Lease, in the event of any such theft, damage or destruction, the Lease shall continue in full force and effect and the County waives any right to terminate the Lease by virtue of any such theft, damage or destruction. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Lease - Abatement" and RISK FACTORS - "Abatement."

Insurance

Pursuant to the Lease, the County has agreed to obtain certain types of insurance, including all-risk insurance which includes theft earthquake and flood insurance, from with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Lease. In addition, pursuant to the Lease, the County is required to maintain rental interruption insurance to cover loss, total or partial, of the use of any part of the Equipment as a result of any of the hazards covered by the insurance required pursuant to the Lease in an amount sufficient at all times to pay the Base Rental payable under the Lease for a period of not less than two years. The County may not self-insure for rental interruption insurance. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Lease – Insurance".

No Acceleration Upon an Event of Default

In the event of a default, there is no remedy of acceleration of the total Base Rental payments due over the term of the Lease and the Trustee is not empowered to sell the Equipment and use the proceeds of such sale to redeem the Bonds or pay debt service thereon or repossess the Equipment in any way. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Indenture – Events of Default and Remedies of Owners" and RISK FACTORS - "No Acceleration Upon an Event of Default; Limitations on Remedies".

Investment of Funds and Accounts

County General Fund moneys are generally deposited into the County Treasury to the credit of the County and invested in accordance with County investment policies. Pursuant to the Indenture, moneys held by the Trustee in any fund or account under the Indenture shall be invested in Qualified Investments pending application as provided therein, which investment may include the County Treasury Pool. See APPENDIX A - "THE COUNTY OF LOS ANGELES INFORMATION STATEMENT - Los Angeles

County Pooled Surplus Investments" and APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Description of the Equipment

The proceeds of the Bonds are to be used to refinance the acquisition of certain equipment, machinery, vehicles and other tangible personal property used by various departments of the County of Los Angeles, including the Department of Beaches and Harbors, the Department of Parks and Recreation, the Department of Health Services, the Internal Services Department and the Sheriff Department. Such property consists of many items and includes motor vehicles, medical equipment, and computer systems. The aggregate average useful life of such equipment will not be less than the weighted average maturity of the Bonds, and the individual useful life of such equipment ranges from three to five years.

THE CORPORATION

The Los Angeles County Capital Asset Leasing Corporation is a California nonprofit corporation organized under the Nonprofit Public Benefit Corporation Law of the State of California (constituting Title 1, Division 2, Part 2 of the California Corporations Code). The Corporation was formed in February 1983 to assist the County, among other things, in financing the purchase of necessary equipment.

The Corporation is a separate legal entity from the County. It is governed by a five-member Board of Directors (the "Board") appointed by the Board of Supervisors of the County. The Board members receive no compensation. The Corporation has no employees. All staff work is performed by employees of the County.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Not a Pledge of Taxes

The Bonds are special obligations of the Corporation payable solely from Base Rental payments received pursuant to the Lease and from amounts held by the Trustee in certain funds and accounts established by the Indenture. The obligation of the County to pay Base Rental and Additional Rental under the Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to pay Base Rental or Additional Rental under the Lease constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of the constitution of the State of California. Under certain circumstances, Base Rental may be abated under the Lease.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Lease to pay Base Rental from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Lease that, for as long as the Equipment is available for its use and possession, the County will take such action as may be necessary to include all Base Rental payments due under the Lease in any Fiscal Year during the term of the Lease in its annual budgets for the Fiscal Year and to make the necessary annual appropriations for all such Base Rental

payments, except to the extent such payments are abated in accordance with the Lease. The County is currently liable on other obligations payable from general revenues, some of which may have priority over the Base Rental payments.

Additional Obligations of the County

The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental payments may be decreased.

The Base Rental payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Equipment, taxes and other governmental charges levied against the Equipment) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental payments, based on the perceived needs of the County. The same result could occur if, because of California constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. In such event, the County may not have sufficient funds available to pay principal of and interest on the Bonds when due. The County's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the California Constitution.

No Acceleration Upon an Event of Default; Limitations on Remedies

In the event of a default, there is no remedy of acceleration of the total Base Rental payments due over the term of the Lease and the Trustee is not empowered to sell the Equipment and use the proceeds of such sale to redeem the Bonds or pay debt service thereon or repossess the Equipment in any way. More specifically, the Trustee does not have the right: (i) to demand that the County return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

Under the terms of the Lease, the Trustee has the right to recover Base Rental payments as they become due under the Lease. The County will be liable only for Base Rental payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental payments were due and against funds needed to serve the public welfare and interest.

Additionally, enforceability of the rights and remedies of the Bondowners, and the obligations incurred by the Corporation and the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Bondowners to judicial discretion and interpretation of their rights in

bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Insurance." The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Equipment. If the County elects to self-insure against other risks, no assurance can be given that the insurance reserves established by the County will be sufficient to satisfy any loss which the County may experience. If the County's self-insurance reserves are inadequate or if the County receives insufficient commercial insurance proceeds to repair or replace any portion of the Equipment which is damaged or destroyed, the amount of Base Rental payable under the Lease could be abated. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Abatement" herein and "-Abatement" below.

Abatement

Except to the extent of amounts held in the Base Rental Account, Interest Account or Principal Account of the Bond Fund, amounts received from rental interruption insurance, and amounts which may otherwise be legally available to the County and transferred to the Trustee for the purpose of paying Base Rental payments under the Lease, Base Rental payments will be abated in whole or in part during any period in which, by reason of damage, destruction or theft, there is substantial interference with the County's right of use or possession of the Equipment or any portion thereof and the Base Rental due hereunder shall exceed the fair rental value of the Equipment. In the event of an abatement, the amount of rental abatement will be such that the resulting total Base Rental payments do not exceed the total fair rental value of the remaining portions of the Equipment not damaged, destroyed or taken. Abatement will continue for the period commencing with the date of damage, destruction or theft and shall end with the substantial completion of the work of repair or the delivery of a replacement for the affected portion of the Equipment.

Such reduced or abated Base Rental, together with other moneys available to the Trustee, may not be sufficient, after expiration of rental interruption insurance with respect to the Equipment, if any, to pay principal of and interest on the Bonds in the amounts and at the rates set forth thereon. In such an event, all Bondowners would forfeit the right to receive a pro rata portion of interest attributable to abated Base Rental in any year of abatement and, to the extent Bonds matured during a period of abatement, such Bondowners would forfeit the right to receive a pro rata portion of principal attributable to such abated Base Rental. The failure to make such payments of principal and interest under such circumstances would not constitute a default under the Lease or the Indenture.

Bankruptcy

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture and the Lease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles, as now or hereinafter enacted, that may affect the enforcement of creditors' rights.

The County and the Corporation are not subject to the involuntary procedures under the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the County and the Corporation may seek voluntary protection from their respective creditors for purposes of adjusting their respective debts. In the event of such entities was to become a debtor under the Bankruptcy Code, the affected entity would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be (i) the

application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the affected entity, or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the affected entity, or otherwise enforcing the obligations of the affected entity, and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of the Bondowners; and (iv) the possibility of the adoption of a plan (a "Plan") for the adjustment of the affected entity's various obligations without the consent of the Trustee or all of the Bondowners, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Bondowners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interest of creditors. The provisions of the transaction documents that require the County to make payments directly to the Trustee rather than to the Corporation may no longer be enforceable, and all payments may be required to be made to the Corporation. In addition, in a bankruptcy of the Corporation, the assignment by the Corporation to the Trustee of the Lease could be characterized as a pledge rather than an absolute assignment. Such a characterization could result in delays or reductions in payments on the Bonds or other losses to the Bondowners.

In addition, if the Lease were determined to constitute a true lease by bankruptcy court (rather than a financing lease in connection with the extension of credit), the County or the Corporation, as the case may be, may be able to either reject the Lease, assume or assume and assign the Lease despite any provision of the Lease which makes the bankruptcy or insolvency of the affected entity an event of default thereunder. In the event the affected entity rejects the Lease, as applicable, the Trustee, on behalf of the Bondowners, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim could be treated in a manner under a Plan over the objections of the Trustee or Bondowners. Moreover, such rejection may terminate the Lease and the obligations of the County to make payments under the Lease but could result in the affected entity remaining in possession of the Equipment, notwithstanding its rejection of the Lease.

COVID-19 and Related Impacts on the County

The outbreak of the Pandemic has had an adverse effect on, among other things, the national economy, the global supply chain, international travel and travel-related industries. The outbreak has negatively affected the national and local economy and financial markets, and is expected to continue to negatively affect economic output worldwide and within the State and the County. Both the State and the County have taken actions designed to mitigate the spread of COVID-19, including requiring the temporary closure of non-essential businesses, which have had a material impact on the County's finances. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT — Budgetary Information – Fiscal Year 2019-20 Final Adopted Budget" and " – Fiscal Year 2020-21 Final Recommended Budget."

The ongoing Pandemic and the actions taken by the federal government and the State government have had an immediate impact on County operations and finances, drastically increasing County expenditures and reducing revenues, although the County anticipates that a portion of these increased expenditures will be reimbursed with federal and State funding. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT — Budgetary Information – Federal Budget Update" and " – 2020-21 State Budget." Other potential impacts to the County associated with the Pandemic include, but are not limited to, challenges to the public health infrastructure, increased expenditures including for public safety, and delayed receipt of tax revenues. The County also anticipates reductions in property values in future fiscal years resulting in a reduction in property tax revenues. Although various measures are being implemented to address the impacts of the Pandemic on the County's operations and finances, the County cannot predict the effectiveness and duration of these measures. The actual impact of the Pandemic on the

County, its economy and its finances will depend on future events, including future events outside of the control of the County.

The County's Fiscal Year 2020-21 Recommended Budget

The County's Fiscal Year 2020-21 Recommended Budget was based on a number of assumptions regarding both revenues and expenditures. However, the Fiscal Year 2020-21 Recommended Budget was developed prior to the COVID-19 outbreak and did not take into account the adverse impact of the Pandemic on the financial condition of the County. The Fiscal Year 2020-21 Recommended Budget has been revised to reflect the impact of the Pandemic on the financial condition of the County with the Fiscal Year 2020-21 Final Recommended Budget, which was approved by the Board of Supervisors on June 29, 2020. The Fiscal Year 2020-21 Final Recommended Budget projects $935.3 million in revenue losses, consisting of $446.0 million in General Fund net County cost and $489.4 million primarily in 1991 and 2011 State realignment revenues and Measure H sales tax revenues. The Fiscal Year 2020-21 Final Recommended Budget reduces County expenditures and employee benefits and applies program reserves to address the projected revenue losses. Changes in various federal programs and legislation and further events related to the Pandemic could have a material effect on the County's budget. The County may make adjustments throughout the year as necessary to maintain a balanced budget, as required by the County Charter. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Budgetary Information – Fiscal Year 2020-21 Recommended Budget" and " – Fiscal Year 2020-21 Final Recommended Budget" attached hereto.

Financial Conditions in Local, State and National Economies

The financial condition of the County can be significantly affected by generally prevailing financial conditions in the local, State and national economies. The County receives a significant portion of its funding from the State. Decreases in the State's General Fund revenues may significantly affect appropriations made by the State to public agencies, including the County. There can be no assurances that the occurrence of a recession or otherwise declining conditions in the local, State or national economies will not materially adversely affect the financial condition of the County in the future. See also "THE 2020-21 TRANs – State of California Finances" herein and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Budgetary Information – Federal and State Funding" attached hereto.

Cybersecurity

The County relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the County and its departments and offices face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. In May 2016, a phishing email attack occurred in which the perpetrator accessed usernames and passwords of County employees and caused a breach of information for over 750,000 individuals. The County's District Attorney Cyber Investigative Response Team found the perpetrator and criminal charges were filed. After the incident, the County created the Office of Privacy within the Chief Executive Office, Risk Management Branch. In collaboration with the Chief Information Security Officer, the Office of Privacy oversees and coordinates the direction, privacy, security, and policies of the County that relate to personally identifiable and protected health information. The Office of Privacy works with other County offices and officials, including information security and law enforcement personnel and data experts, to protect confidential information from unauthorized disclosures and to comply with Federal and State privacy and information technology security regulations and best practices.

In November 2018, the Board adopted revised Information Technology and Security Board Policies which set forth directives on best practices for use of the County's computer systems. These policies include an Information Security Policy, an Information Classification Policy, a Use of County Information Assets Policy, an Information Security Incident Reporting and Response Policy and an Information Technology Audit and Risk Assessment Policy. The County uses a risk-based approach to manage cybersecurity threats, which allows the County to evaluate the vulnerabilities of its systems and the threats posed thereto so that the County may timely react to and address each situation. The County also conducts cybersecurity awareness training as a component of its cyber liability insurance policy.

No assurances can be given that the County'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 County's computer and information technology systems could impact its operations and damage the County's digital networks and systems, and the costs of remedying any such damage could be substantial.

No Liability of Corporation to the Bondowners

Except as expressly provided in the Indenture, the Corporation will not have any obligation or liability to the Bondowners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County in connection with the Bonds, and Bond Counsel has assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from State of California personal income.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The County has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, *i.e.*, a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the

tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CERTAIN LEGAL MATTERS

Legal matters incident to the issuance of the Bonds by the Corporation are subject to the approval of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX D hereto. Certain legal matters will be passed upon for the County and the Corporation by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and the County Counsel.

FINANCIAL STATEMENTS

The financial statements of the County for the Fiscal Year ended June 30, 2019, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Macias Gini & O'Connell LLP (the "Independent Auditor"), certified public accountants, as stated in their report appearing in Appendix B. The Independent Auditor has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made herein, and no opinion is expressed by the Independent Auditor with respect to any event subsequent to its report dated December 13, 2019.

RATINGS

Fitch, Inc. ("Fitch") has assigned the Bonds a rating of "AA"," Moody's Investors Service ("Moody's") has assigned the Bonds a rating of "Aa2" and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") has assigned the Bonds a rating of "AA+." Such ratings reflect only the views of Fitch, Moody's and Standard & Poor's, and do not constitute a recommendation to buy, sell or hold the Bonds. Explanation of the significance of such ratings may be obtained only from the respective rating agencies at: Fitch, Inc., One State Street Plaza, New York, New York 10004; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that any of the ratings will be maintained for any given period of time or that they will not be revised downward, suspended or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. The County undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained or other actions by a rating agency relating to its rating may have an adverse effect on the market price of the Bonds.

LITIGATION

To the best knowledge of the County and the Corporation, no litigation is pending or threatened against the County or the Corporation concerning the validity of the Bonds. The County is routinely a party to various lawsuits and administrative proceedings. Summaries of certain pending legal proceedings or potential contingent liabilities are set forth in Appendix A attached hereto. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT." In the opinion of the County Counsel, the outcome of the presently pending suits and claims will not materially impair the County's ability to make Base Rental payments. Note 18 of "Notes to the Basic Financial Statements" included in APPENDIX B set forth this liability as of June 30, 2019.

MUNICIPAL ADVISOR

Public Resources Advisory Group served as Municipal Advisor in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor have they undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate, the County will covenant to provide certain financial information and operating data relating to the County by not later than April 1 of each year, commencing April 1, 2021, for the prior fiscal year, in the form of the Annual Report, and, no later than ten (10) business days after their occurrence, notice of the occurrence of the certain listed events set forth in Rule 15c2-12 to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. Certain of the events set forth under Rule 15c2-12 do not apply to the Bonds. See Appendix E — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the underwriters in complying with Rule 15c2-12.

The County did not timely file a notice of a rating upgrade with respect to the Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles, Improvement Area B Special Tax Refunding Bonds, Series 2011A. In addition, the notice of a rating upgrade with respect to the Los Angeles County Public Works Financing Authority, Lease Revenue Bonds, 2016 Series D (the "2016D Bonds") did not identify all of the applicable CUSIPs of this issue. The County filed a notice of the rating change with the applicable CUSIPs for the 2016D Bonds.

UNDERWRITING

The Certificates were sold at competitive bid on July 15, 2020. The Bonds were awarded to Citigroup Global Markets Inc. (the "Underwriter"), at a purchase price of $24,563,605.90, which amount is equal to the original principal amount of the Bonds of $23,465,000, plus an original issue premium of $1,105,645.40, less an underwriter's discount in the amount of $7,039.50. The Underwriter may offer and sell the Bonds to certain dealers and others at prices or yields different from the initial public offering prices or yields stated on the inside cover page of this Official Statement.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Indenture, the Lease and the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

The County regularly prepares a variety of reports, including audits, budgets, and related documents, as well as certain monthly activity reports. Any Bondowner may obtain a copy of any such report, as available, from the County at the address set forth below. Such reports are not incorporated by this reference.

This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County and the Board of Directors of the Corporation.

COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
(213) 974-7175

APPENDIX A

COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES

CALIFORNIA

THE COUNTY OF LOS ANGELES
Information Statement

Certain statements contained in this Appendix A are "forward-looking statements." Particularly because of the evolving nature of the current public health crisis, no assurance can be given that any estimates of future impact discussed herein will be achieved, and actual results may differ materially from the potential impact described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "believe," "budget" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements in this Appendix A are expressly qualified in their entirety by this cautionary statement.

GENERAL INFORMATION

The County of Los Angeles (the "County") was established by an act of the California State Legislature on February 18, 1850 as one of California's original 27 counties. Located in the southern coastal portion of the State, the County covers 4,083 square miles and includes 88 incorporated cities as well as many unincorporated communities. With a population of 10.3 million in 2019, the County is the most populous of the 58 counties in California and has a larger population than 41 states.

As required by the County Charter, County ordinances, and State or Federal mandates, the County is responsible for providing government services at the local level for activities including public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes. The County provides services such as law enforcement and public works to cities within the County on a cost-recovery contract basis. The County also provides certain municipal services to unincorporated areas of the County and operates recreational and cultural facilities throughout the County.

COUNTY GOVERNMENT

The County is governed by a five-member Board of Supervisors (the "Board of Supervisors"), each of whom is elected by residents from their respective supervisorial districts to serve four-year terms, with the potential to serve two additional four-year terms if re-elected by voters. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the elected officials of the County. As a result, each Supervisor is now limited to serving a maximum of three consecutive terms commencing as of December 2002.

On July 7, 2015, the Board of Supervisors approved a new governance structure, pursuant to which all non-elected department heads report directly to the Board of Supervisors, and all Deputy Chief Executive Officer ("CEO") positions were eliminated. County departments continue to report to the CEO for day-to-day operations, and for administrative and budget matters. The CEO continues to function as the Board of Supervisor's agent to manage countywide policy objectives and departmental performance management. The new governance structure is designed to streamline County governance by improving communications with County departments and facilitating more effective decision making in response to the Board of Supervisors' policy objectives.

From 2014 to 2016, the County experienced significant changes to its elected leadership on the Board of Supervisors. In December 2014, the previous Supervisors for the First District and the Third District reached their term limits, with their successors elected by voters in the November 2014 election. The current Supervisors for the First and Third Districts commenced their first terms in December 2014. In November 2016, voters elected new Supervisors to the Fourth District and the Fifth District, replacing the previous Supervisors who had reached their term limits. The new Supervisors for the Fourth and Fifth Districts commenced their first terms in December 2016. The Second District Supervisor will complete his third term and be termed-out out of office in December 2020.

COUNTY SERVICES

The vast majority of the County population resides in the 88 incorporated cities located within its boundaries. The County provides some municipal services to these cities on a contract basis under the Contract Services Plan. Established in 1954, this plan was designed to allow cities to contract for municipal services without incurring the cost of creating numerous city departments and facilities. Under the Contract Services Plan, the County will provide various municipal services to a city on a cost recovery basis at the same level of service as provided to the unincorporated areas or at a higher level of service that a city may choose.

Over one million people live in the unincorporated areas of the County. For the residents of these areas, the County Board of Supervisors functions as their "City Council," and County departments provide all of their municipal services, including law enforcement, fire protection, land use and zoning, building and business permits, road maintenance, animal care and control, and public libraries. Beyond the unincorporated areas, the County provides a wide range of services to all citizens who live within its boundaries.

Many of the County's core service functions are required by the County Charter, County ordinances, or by State or Federal mandate. State and Federal mandated programs, primarily related to social services and health care, are required to be maintained at certain minimum levels of service, which can limit the County's flexibility in providing these services.

Health and Welfare

Under State Law, the County is required to administer Federal and State health and welfare programs, and to fund a portion of the program costs with local revenues, such as sales and property taxes. Health care services are provided through a network of County hospitals and comprehensive health centers. In addition, the County provides public health, immunization, environmental and paramedic services, and is responsible for the design and establishment of the county-wide emergency trauma network, which includes two medical centers operated by the County. The County also has responsibility for providing and partially funding mental health, drug and alcohol abuse prevention, and various other treatment programs. These services are provided at County facilities and through a network of contract providers.

While many of the patients receiving services at County facilities are indigent or covered by Medi-Cal (a State health insurance program), the County health care delivery system has been designed with the objective of providing quality health care services to the entire population. Through its affiliation with two medical schools and by operating its own school of nursing, the County Department of Health Services ("DHS") is a major provider of health care professionals throughout California.

Disaster Services

The County operates and coordinates a comprehensive disaster recovery network that is responsible for providing critical services in response to floods, fires, storms, earthquakes, and other emergency events. Centralized command centers can be established at any Sheriff station or in mobile trailers throughout the County. To prevent floods and conserve water, the County maintains and operates a system of 14 major dams, 172 debris basins, an estimated 120,000 catch basins, 35 sediment placement sites, and over 3,399 miles of storm drains and channels. County lifeguards monitor 25 miles of beachfront and County rescue boats patrol 75 miles of coastline, including the Catalina Channel.

Public Safety

The County criminal justice network is primarily supported by local County revenue sources, State Public Safety sales tax revenue and fees from contracting cities. The Sheriff provides county-wide law enforcement services and will perform specific functions requested by local police departments, including the training of thousands of police officers employed by the incorporated cities of the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily inmate population of approximately 17,445 inmates. This number includes approximately 242 inmates who were serving their sentences outside of the jail in community-based programs.

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, agencies, special districts, and local school districts. Another essential general government service is the County's voter registration and election system, which provides services to an estimated 5.5 million registered voters and maintains approximately 4,728 voting precincts for countywide elections.

Culture and Recreation

Through a partnership with community leaders, non-profit organizations, volunteers and the private sector, the County operates the Music Center complex, which includes the Dorothy Chandler Pavilion, Mark Taper Forum, Ahmanson Theater, and the Walt Disney Concert Hall. The County also functions as the operator of the Hollywood Bowl, the John Anson Ford Theater, the Los Angeles County Museum of Art, the Museum of Natural History, and the George C. Page Museum.

The County manages over 183 parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 9 regional parks, 38 neighborhood parks, 20 community parks, 15 wildlife sanctuaries, 8 nature centers, 41 public swimming pools, over 200 miles of horse, biking and hiking trails, and 20 golf courses. The County also maintains botanical centers, including the Arboretum and Botanic Garden, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Gardens, providing County residents with valuable environmental and educational resources.

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

The County has a total of approximately 112,702 budgeted positions with 88.3% of the workforce represented by sixty-two (62) separate collective bargaining units that are certified employee organizations. These organizations include the Services Employees International Union ("SEIU") Local 721, which includes twenty-four (24) collective bargaining units that represent 57.1% of County employees; the Coalition of County Unions ("CCU"), which includes thirty-three (33) collective bargaining units representing 29.4% of County employees; and the Independent Unions (the "Independent Unions"), which encompass five (5) collective bargaining units representing 1.8% of County employees. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division is responsible for negotiating sixty-two (62) individual collective bargaining agreements for wages and salaries and an additional two (2) fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

The current Memoranda of Understanding ("MOUs") with the various collective bargaining units cover wages, salaries and fringe benefits. The County has agreed to final terms with all 62 collective bargaining units. The MOUs have three-year terms and provide for a 7% cost of living increase over the term of the agreements, which have multiple expiration dates ranging from December 31, 2020 to September 30, 2021. Non-represented employees will also receive the 7% cost of living increase received by represented employees. In exchange for a significantly reduced County contribution to the fringe benefit allowance, employees received a 1% sustainability increase in January 1, 2020. Employees are also scheduled to receive a 2.75% half-step sustainability increase effective January 1, 2021. Negotiations are expected to begin with the units whose contracts expire on December 31, 2020 within the next few months.

The County currently has two MOUs with the SEIU and the CCU covering fringe benefits. The fringe benefit MOUs with SEIU and CCU, which expire on September 30, 2021 and on June 30, 2021, respectively, increase the County contribution toward healthcare benefits slightly each year, with the most significant change being the institution of caps on the amount of unused County contribution returned to the employee as taxable cash. The monthly health insurance subsidy for eligible temporary and recurrent employees represented by CCU will increase by 5.5% in 2019, 6% in 2020 and 6% in 2021. The SEIU agreement provides a one-time payment of $1,000 and the CCU agreement provides a one-time payment of $500 and a one-time increase of 8 hours of leave time for certain full-time permanent employees effective April 30, 2019.

Due to the agreements reached with SEIU and CCU, the Board of Supervisors approved comparable salary adjustments for most non-represented employees, except for the salaries of Tier 1 Management and Appraisal and Performance Plan participants, which include department heads.

In an effort to mitigate the budgetary impact caused by the COVID 19 pandemic, the Board of Supervisors approved a temporary suspension of the County's matching contribution to the Deferred Compensation and Thrift Plan and the 401(k) Savings Plan for non-represented employees and certain represented employees covered by the Flex and MegaFlex benefit plans. The suspension is effective as of May 1, 2020 and will last through Fiscal Year 2020-21. The County is currently negotiating with its represented employees over concessions to the employer match on the 457 plan, and other concessions.

RETIREMENT PROGRAM

General Information

All permanent County employees of three-quarter time or more are eligible for membership in the Los Angeles County Employees Retirement Association ("LACERA"). LACERA was established in accordance with the County Employees Retirement Law of 1937 (the "Retirement Law") to administer the County's Employee Retirement Trust Fund (the "Retirement Fund"). LACERA operates as a cost-sharing multi-employer defined benefit plan for employees of the County, the Los Angeles Superior Court and four other participating agencies. The Superior Court and the other four non-County agencies account for approximately 4.9% of LACERA's total membership**.**

LACERA is governed by the Board of Retirement, which is responsible for the administration of the Retirement Fund, the retiree healthcare program, and the review and processing of disability retirement applications. The Board of Retirement is comprised of four positions appointed by the Board of Supervisors, two positions elected by general LACERA members, two positions (one active and one alternate) elected by LACERA safety members and two positions (one active and one alternate) elected by retired LACERA members. The County Treasurer and Tax Collector is required by law to serve as an ex-officio member of the Board of Retirement.

The LACERA plans are structured as "defined benefit" plans in which benefit allowances are provided based on salary, length of service, age and membership classification. Law enforcement officers, firefighters, foresters and lifeguards are classified as "safety" employees, with all other positions classified as "general" employees. County employees had the option to participate in a contribution based defined benefit plan or a non-contribution based defined benefit plan. In the contribution-based plans (Plans A, B, C, D & G), employees contribute a fixed percentage of their monthly earnings to LACERA based on rates determined by LACERA's independent actuary. The contribution rates depend upon age, the date of entry into the plan and the type of membership (general or safety). County employees who began their employment between January 4, 1982 and January 1, 2013 had the option to participate in Plan E, which is a non-contribution-based plan. The contribution-based plans (A through G) have higher monthly benefit payments for retirees compared to Plan E.

LACERA's total membership as of June 30, 2019 was 181,260, consisting of 72,623 active vested members, 26,563 active non-vested members, 66,507 retired members and 15,567 terminated vested (deferred) members. Of the 99,186 active members (vested and non-vested), 86,392 are general members in General Plans A through G, and 12,794 are safety members in Safety Plans A through C.

Of the 66,507 retired members, 53,560 are general members in General Plans A through G, and 12,947 are safety members in Safety Plans A, B and C. Beginning in 1977, both the General Plan A and the Safety Plan A were closed to new members. The County elected to close these plans in response to growing concerns regarding the future cost of Plan A benefits, which were considerably more generous than other plan options currently available to County employees.

As of June 30, 2019, approximately 48% of the total active general members (vested and non-vested) were enrolled in General Plan D, and over 76% of all active safety members (vested and non-vested) were enrolled in Safety Plan B. The basic benefit structure of General Plan D is a "2.0% at 61" funding formula that provides for annual 2.0% increases in benefits, with no benefit reductions for members who retire at age 61 or older. For the Safety Plan B, the benefit structure is a "2.0% at 50" formula that provides benefit increases of 2.0% and no benefit reductions beginning at age 50. To illustrate the potential financial impact of the retirement benefit, a General Plan D member with 35 years of experience can retire at age 61 with benefits equal to approximately 70% of current salary; and a Safety Plan B member with 25 years of experience can retire at age 50 with benefits equal to approximately 50% of current salary.

2012 State Pension Reform

On September 12, 2012, the Governor signed AB 340 into law, which established the California Public Employees' Pension Reform Act ("PEPRA") to govern pensions for public employers and public pension plans, effective January 1, 2013. For new employees hired on or after January 1, 2013, PEPRA includes pension caps, equal sharing of pension costs, changes to retirement age, and three-year final compensation provisions. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays, and purchases of service credit.

PEPRA applies to all State and local public retirement systems, including county and district retirement systems created pursuant to the Retirement Law, independent public retirement systems, and to individual retirement plans offered by public employers. PEPRA only exempts the University of California system and certain charter cities and counties whose pension plans are not governed by State law. Because the County's retirement system is governed by the County Employees Retirement Law of 1937, LACERA is required to comply with the provisions of PEPRA.

As a result of PEPRA, the County implemented General Plan G and Safety Plan C for new hires, effective January 1, 2013. Based on the June 30, 2019 Actuarial Valuation (the "2019 Actuarial Valuation"), the total employer contribution rate in Fiscal Year 2020-21 for new employees hired on and after January 1, 2013 is 23.03% for General Plan G and 28.46% for Public Safety Plan C. The new employer contribution rates are slightly lower than comparative rates of 23.13% for General Plan D participants and 31.19% for Public Safety Plan B participants. The basic benefit structure of Plan G using the PEPRA funding formula is "2.5% at 67" and provides for annual 2.0% cost of living adjustments during retirement, with no benefit reductions for members who retire at age 61 or older. For Safety Plan C, the benefit structure is a "2.7% at 57" formula that provides for annual 2.0% cost of living adjustments during retirement, with no benefit reductions beginning at age 50. Overall, the implementation of General Plan G and Safety Plan C is expected to result in a slight decrease to the total normal cost rate and an increase in the

average member contribution rate, thus resulting in a decrease in the total employer contribution rate.

Contributions

Employers and members contribute to LACERA based on rates recommended by the independent actuary (using the Entry Age Normal Cost Funding Method) and adopted by the Board of Investments of LACERA (the "Board of Investments") and the County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Employers and participating agencies are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual pre-funded contributions at actuarially determined rates. The annual contribution rates are based on the results of investments and various other factors set forth in the actuarial valuations and investigations of experience, which are described below.

Investment Policy

The Board of Investments has exclusive control of all Retirement Fund investments and has adopted an Investment Policy Statement. The Board of Investments is comprised of four active and retired members and four public directors appointed by the Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member. The Investment Policy Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants.

Actuarial Valuation

The Retirement Law requires the County to contribute to the Retirement Fund on behalf of employees using rates determined by the plan's independent actuary, which is currently Milliman Consultants and Actuaries ("Milliman"). Such rates are required under the Retirement Law to be calculated at least once every three years. LACERA presently conducts valuations on an annual basis to assess changes in the Retirement Fund's portfolio.

When measuring assets to determine the unfunded actuarial accrued liability ("UAAL"), which is defined as the actuarial accrued liability ("AAL") minus the actuarial value of the assets of LACERA at a particular valuation date, the Board of Investments has elected to "smooth" gains and losses to reduce the potential volatility of its funding requirements. If in any fiscal year, the actual investment return on the Retirement Fund's assets is lower or higher than the current actuarial assumed rate of return, the shortfall or excess is smoothed, or spread, over a multi-year time period. The impact of this valuation method will result in "smoothed" assets that are lower or higher than the market value of assets depending on whether the remaining amount to be smoothed is either a net gain or a net loss. In December 2009, the Board of Investments adopted the Retirement Benefit Funding Policy (the "2009 Funding Policy"). As a result of the 2009 Funding Policy the smoothing period to account for asset gains and losses increased from three years to five years.

In addition to annual actuarial valuations, LACERA requires its actuary to review the reasonableness of the economic and non-economic actuarial assumptions every three years. This review, commonly referred to as the Investigation of Experience, is accomplished by comparing actual results during the preceding three years to what was expected to occur according to the actuarial assumptions. On the basis of this review, the actuary recommends whether any changes in the assumptions or methodology would allow a more accurate projection of total benefit liabilities and asset growth.

UAAL and Deferred Investment Returns

For the June 30, 2018 Actuarial Valuation (the "2018 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 9%, which was higher than the 7.25% assumed rate of return. As a result of the stronger than assumed investment performance, the market value of Retirement Fund Assets increased by $3.556 billion or 6.7% to $56.300 billion as of June 30, 2018. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $3.067 billion or 5.9% from $52.166 billion to $55.233 billion as of June 30, 2018. The 2018 Actuarial Valuation reported that the AAL increased by $3.216 billion to $68.527 billion, and the UAAL increased by $149 million to $13.294 billion from June 30, 2017 to June 30, 2018. The Funded Ratio as of June 30, 2018 increased slightly to 80.6% from the prior year Funded Ratio of 79.9%.

The 2018 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2019. The County's required contribution rate increased from 20.04% to 20.91% of covered payroll in Fiscal Year 2019-20. The increase in the contribution rate was primarily caused by a 0.96% cost increase from the last year of the three-year phase-in of the new actuarial assumption changes approved by the Board of Investments in December 2016, which was partially offset by a decrease in the funding requirement to finance the UAAL from 11.06% to 10.99%, and a slight decrease in the normal cost contribution rate from 9.94% to 9.92%.

The 2018 Actuarial Valuation does not include $503.874 million of net deferred investment gains that will be partially recognized over the next four fiscal years. If the actual market value of Retirement Fund assets was used as the basis for the valuation, the Funded Ratio would have been 81.3% as of June 30, 2018, and the required County contribution rate would have been 20.55% for Fiscal Year 2019-20.

In December 2019, Milliman released the 2019 Investigation of Experience for Retirement Benefit Assumptions (the "2019 Investigation of Experience"). The 2019 Investigation of Experience provided the basis for Milliman's recommended changes to the actuarial assumptions in the 2019 Actuarial Valuation. The key actuarial assumptions proposed by Milliman included a reduction in the assumed investment rate of return from 7.25% to 7.00%; no changes in the assumed rates for wage growth and price inflation (currently at 3.25% and 2.75%, respectively); and a change in the mortality rates based on the public plan specific tables published in 2019 by the Society of Actuaries Retirement Plan Experience Committee. Milliman also recommended a change to the current 30-year layered amortization methodology used to fund future unanticipated changes in unfunded liabilities, such as assumption changes or actuarial gains and losses, to a maximum of 22 years. In January 2020, the Board of Investments approved Milliman's recommended changes to the actuarial assumptions and methodology changes, with the resulting increase in the employer contribution rate to be phased in over a three-year period beginning in Fiscal Year 2020-21.

For the June 30, 2019 Actuarial Valuation (the "2019 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 5.5%, which was lower than the 7.25% assumed rate of return. With the five-year smoothing process,

the actuarial value of Retirement Fund assets increased by $2.384 billion or 4.3% from $55.233 billion to $57.617 billion as of June 30, 2019. The 2019 Actuarial Valuation reported that the AAL increased by $6.108 billion to $74.635 billion, and the UAAL increased by $3.724 billion to $17.018 billion from June 30, 2018 to June 30, 2019. The Funded Ratio as of June 30, 2019 decreased to 77.2% from the prior year Funded Ratio of 80.6%.

The 2019 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2020. The County's required contribution rate will increase from 20.91% to 22.59% of covered payroll in Fiscal Year 2020-21. The 1.68% increase in the employer contribution rate includes a 3.29% cost increase from the changes in actuarial assumptions and methodology changes (as described above), and a 0.58% increase from the recognition of current and prior years' actuarial investment losses, which were partially offset by a 2.19% cost reduction due to the three-year phase-in of the actuarial assumption and methodology changes. The remaining 2.19% cost increase from the actuarial assumption and methodology changes will be phased-in in Fiscal Years 2021-22 and 2022-23, resulting in higher employer contribution rates. If the three-year phase-in had not been adopted by the Board of Investments, the employer contribution rate for Fiscal Year 2020-21 would have been 24.78%.

The 2019 Actuarial Valuation does not include $94.601 million of net deferred investment gains that will be partially recognized over the next four fiscal years. If the actual market value of Retirement Fund assets was used as the basis for the valuation, the Funded Ratio would have been 77.3% as of June 30, 2019, and the required County contribution rate would have been 22.51% for Fiscal Year 2019-20.

As of April 30, 2020, LACERA reported a 1.5% fiscal year to date net loss on Retirement Fund assets, which is well below the actuarial assumed investment rate of return of 7.25%. If the net loss is sustained, or the assumed rate of return is not realized by June 30, 2020, the County will likely be subject to higher employer contribution rates in Fiscal Year 2021-22.

An eight-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio"), and a summary of investment returns for the prior eight years is presented in Table 2 ("Investment Return on Retirement Plan Assets") at the end of this Information Statement section.

Pension Funding

Since Fiscal Year 1997-98, the County has funded 100% of its annual actuarially required contribution to LACERA. In Fiscal Years 2017-18 and 2018-19, the County's total contributions to the Retirement Fund were $1.499 billion and $1.636 billion, respectively. For Fiscal Year 2019-20, the County's required contribution payments are expected to increase by approximately $134.8 million or 8.24% to $1.770 billion. For Fiscal Year 2020-21, the County is projecting retirement contribution payments to LACERA of $2.021 billion, which would represent a 14.17% or $250.9 million increase from Fiscal Year 2019-20.

A summary of actual and projected County pension payments to LACERA for the eight-year period ending June 30, 2021 is presented in Table 3 ("County Pension and OPEB Payments") at the end of this Information Statement section.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2019, $614 million was available in the STAR Program Reserve to fund future benefits. Under the 2009 Funding Policy, the entire STAR Program Reserve was included in the Retirement Fund's valuation assets. However, there is no corresponding liability for any STAR Program benefits in the 2019 Actuarial Valuation that may be granted in the future. If the STAR Program Reserve was excluded from the valuation assets, the County's required contribution rate would have increased from 22.59% to 23.11% for Fiscal Year 2020-21, and the Funded Ratio would have decreased from 77.20% to 76.40% as of June 30, 2019. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately $39 million in Fiscal Year 2020-21.

Pension Accounting Standards

In June 2012, the Governmental Accounting Standards Board ("GASB") issued new statements to replace the previous pension accounting and reporting requirements for defined pension benefit plans such as LACERA, and employers such as the County. GASB Statement No. 67, Financial Reporting for Pension Plans, replaces the requirements of GASB Statement No. 25 and is focused on pension plan administrators such as LACERA. GASB 67 was implemented with the issuance of LACERA's Fiscal Year 2013-14 financial statements and expanded the pension-related note disclosures and supplementary information requirements.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, replaced the requirements of GASB Statement No. 27 and is focused on employers that provide defined pension benefits such as the County. GASB 68 was implemented with the issuance of the County's Fiscal Year 2014-15 financial statements. Although GASB 68 does not materially affect the existing process for calculating the UAAL, it requires the County to recognize its proportionate share of LACERA's Net Pension Liability directly on the Statement of Net Position (government-wide balance sheet). The new requirement to recognize a liability in the financial statements represented a significant and material change from the previous standards, which only required the disclosure of such amounts in the notes to the financial statements. GASB 68 also includes additional reporting requirements, which have expanded the pension-related note disclosures and supplementary information requirements.

The new GASB pension standards are only applicable to the accounting and reporting for pension benefits in the County's financial statements. Accordingly, there will be no impact on the County's existing statutory obligations and policies to fund pension benefits. For the Fiscal Year ended June 30, 2019 the County reported a Net Pension Liability of $10.345 billion, which represents a $505 million or 5% decrease from the $10.850 billion Net Pension Liability reported as of June 30, 2018.

Other Postemployment Benefits (OPEB)

LACERA administers a retiree health care benefits program for retirees under an agreement with the County. The program includes medical, dental, vision and life insurance benefit plans

for over 88,000 retirees or survivors and their eligible dependents. The Board of Retirement reserves the right to amend or revise the medical plans and programs under the retiree health program at any time. County payments for postemployment benefits are calculated based on the employment service credit of retirees, survivors, and dependents. For eligible members with 10 years of service credit, the County pays 40% of the health care plan premium. For each year of service credit beyond 10 years, the County pays an additional 4% of the plan premium, up to a maximum of 100% for a member with 25 years of service credit.

The County reached an agreement with CCU and SEIU to add a new tier of retiree healthcare benefits for employees who begin County service on or after July 1, 2014. Under the new agreement, the County will provide paid medical coverage at the retiree only premium level and not at the current level of full family coverage. The retiree will have the option to purchase coverage for dependents, but the County will only provide a financial subsidy to the retiree. In addition, Medicare-eligible retirees will be required to enroll in Medicare, with the County subsidy based on a Medicare supplement plan. The same vesting rights and years of service crediting formula of 40% after 10 years and 100% after 25 years will still apply to the new tier. The agreement will not affect current retirees or current employees hired prior to July 1, 2014. The new retiree healthcare benefit tier is projected to save an estimated $840 million over the next 30 years and reduce the unfunded liability for retiree healthcare by 20.8%. The agreement was approved by the Board of Retirement and by the Board of Supervisors in June 2014.

In May 2012, the Board of Supervisors approved the establishment of a tax-exempt OPEB trust pursuant to a Trust and Investment Services Agreement (the "OPEB Trust") between LACERA and the County. In accordance with the OPEB Trust, the LACERA Board of Investments will function as the trustee and investment manager, and the Board of Supervisors will have exclusive discretion over the amount of contributions and/or transfers the County may invest or allocate to the OPEB Trust. In Fiscal Year 2012-13, the County transferred $448.8 million from the County Contribution Credit Reserve maintained with LACERA for the initial funding of the OPEB Trust. The transfer from the County Contribution Credit Reserve represented the accumulated balance of the County's proportionate share of excess earnings distributions from the Retirement Fund from Fiscal Years 1994 through 1998.

On June 22, 2015, the Board of Supervisors approved a multi-year plan to begin pre-funding the County's unfunded OPEB liability (the "OPEB Pre-funding Plan"). The OPEB Pre-funding Plan requires the County to fully fund the OPEB annual required contribution ("ARC") by incrementally increasing the annual contribution to the OPEB Trust. In Fiscal Years 2017-18, 2018-19, and 2019-20, the County contributed $120.8 million, $182.9 million, and $246.2 million, respectively, to the OPEB Trust in excess of the pay as you go amounts. The County expects to contribute $309.4 million in excess of the pay as you go amounts in Fiscal Year 2020-21. In future fiscal years, the County expects to incrementally increase its OPEB funding by approximately $60 million per year, which includes an annual $25 million increase in the Net County Cost ("NCC") contribution from the General Fund and a $35 million annual increase funded by subvention revenue. Based on current projections for the OPEB Pre-funding Plan, the OPEB ARC will be fully funded by Fiscal Year 2027-28. As of April 30, 2020, the balance of the OPEB Trust was $1.3 billion.

Investment Policy

The LACERA Board of Investments has exclusive control of all OPEB Trust Fund investments and has adopted an Investment Policy Statement. The Board of Investments is comprised of four active and retired members and four public directors appointed by the Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member. The Investment Policy Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants.

OPEB Accounting Standards

In June 2015, GASB issued Statement No. 74 and Statement No. 75, which replaced previous OPEB accounting and reporting requirements for entities that administer OPEB plans (LACERA) and employers (the County).

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, replaced the requirements of GASB Statement No. 43 and is focused on the OPEB plan administrator (LACERA). GASB 74 was implemented with the issuance of LACERA's Fiscal Year 2016-17 financial statements and expanded the required OPEB-related note disclosures and supplementary information.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaced the requirements of GASB Statement No. 45 and is focused on employers (the County) providing defined OPEB benefits. GASB 75 was implemented with the issuance of the County's Fiscal Year 2017-18 financial statements. Although GASB 75 did not materially affect the existing process which computes the County's UAAL, it did require the County to recognize the full amount of net OPEB liabilities directly on the Statement of Net Position (government-wide balance sheet). The net OPEB liability is the difference between the total OPEB liability (the present value of projected OPEB benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) held by LACERA to pay OPEB benefits. There are also new requirements which expanded the existing OPEB-related note disclosures and supplementary information.

The new requirement from GASB 75 to recognize the full amount of net OPEB liabilities in the financial statements is a substantive and material change to the previous standards. Prior accounting standards only required recognition of OPEB liabilities to the extent that OPEB funding was less than the actuarially determined amount. As of June 30, 2019, the County's Statement of Net Position recognized $23.591 billion of OPEB liabilities which represented a $1.66 billion or 6.57% decrease from the $25.249 billion OPEB liability reported as of June 30, 2018. The new GASB OPEB standards are only applicable to accounting and reporting for OPEB benefits in the County's financial statements. Accordingly, there is no impact on the County's existing statutory obligations and policies to fund the OPEB benefits.

OPEB Actuarial Valuation

In order to comply with the requirements of GASB 74 and GASB 75, LACERA engaged Milliman to complete actuarial valuations of OPEB liabilities for the LACERA plans. In their OPEB valuations, Milliman has provided a determination of the AAL for LACERA's health, dental, vision and life insurance benefit plans. The County's members comprise approximately

95% of LACERA's retiree population and the County is responsible for this percentage of OPEB costs. The 5% of LACERA retirees who do not contribute to the County's OPEB liability are predominantly members of the Los Angeles Superior Court. The demographic and economic assumptions used in the OPEB valuations are modeled on the assumptions used by LACERA for its pension program. The healthcare cost assumptions are based on discussions with other consultants and actuaries used by the County, LACERA and labor groups.

In June 2018, Milliman released the County's OPEB actuarial valuation report as of July 1, 2017 which served as the basis for the GASB 75 disclosure report, also prepared by Milliman and issued in June 2019 (the "2019 GASB 75 Report"). In the 2019 GASB 75 Report, Milliman reported a Net OPEB Liability of $24.730 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability is $23.591 billion.

OPEB Contributions

In Fiscal Years 2017-18, 2018-19, and 2019-20, the total "pay as you go" payments from the County to LACERA for retiree health care benefits were $559.1 million, $604.5 million, and $634.8 million, respectively. For Fiscal Year 2020-21, payments to LACERA for OPEB are projected to increase by $43.0 million or 6.8% to $677.8 million from Fiscal Year 2019-20.

Long-Term Disability Benefits

In addition to its Retiree Healthcare Plan, the County administers a Disability Benefits Plan ("DBP") that is separate from LACERA. The DBP covers employees who become disabled as a direct result of an injury or disease while performing assigned duties. Generally, the long-term disability plans included in the DBP provide employees with a basic monthly benefit of between 40% and 60% of such employee's monthly compensation, commencing after 6 months of disability. The benefits under these plans normally terminate when the employee is no longer totally disabled or turns age 65, whichever occurs first. The health plans included in the DBP generally cover qualified employees who are sick or disabled and provide for the payment of a portion of their medical premiums.

The County has determined that the liability related to long-term disability benefits is an additional OPEB liability, which is reported as a component of the Net OPEB Liability in the CAFR. Following completion of the original OPEB Valuation, the County engaged Buck Consultants to prepare actuarial valuations of the long-term disability portion of its DBP. The latest valuation, as of July 1, 2017 included information related to GASB 75. In the 2017 LTD Valuation, which was rolled forward to July 1, 2018, the total OPEB liability for the County's long-term DBP was $1.048 billion, compared to the long-term DBP liability of $1.073 billion as of June 30, 2018.

In Fiscal Years 2017-2018 and 2018-19, the County made total DBP payments of $41.1 million and $41.6 million, respectively. For Fiscal Years 2019-20 and 2020-21, the County is projecting total DBP payments of $42.6 million and $44.6 million, respectively. As of June 30, 2019, the County's total net OPEB liability of $24.639 billion includes $23.591 billion for retiree healthcare and $1.048 billion for long-term disability benefits.

LITIGATION

The County is routinely a party to various lawsuits and administrative proceedings. The following are summaries of certain pending legal proceedings or potential contingent liabilities, as reported by the Office of the County Counsel. A further discussion of certain legal matters that directly affect the budget and the revenue generating powers of the County is provided in the Budgetary Information section of Appendix A.

Wage and Hour Cases

In 2017 and 2018, three federal collective action complaints (*Trina Ray v. Los Angeles County Department of Public Social Services*; *Thomas Ferguson v. County of Los Angeles; Pieter Vandenberg v. County of Los Angeles)* were filed against the County in connection with alleged violations of the Fair Labor Standards Act (the "FLSA"). The *Trina Ray* complaint relates to an alleged failure to pay overtime compensation to individuals providing assistance under the State and County's In-Home Supportive Services Program. The *Ferguson* and *Vandenberg* complaints relate to an alleged failure to properly calculate overtime compensation. These two cases are based on a Ninth Circuit decision, *Flores v. City of San Gabriel*, which held that cash paid to employees in lieu of benefits must be included when calculating the hourly rate of overtime pay. In August 2018 and May 2019, the County properly provided three years of back pay to all non-exempt employees as required under the FLSA. The remaining estimated liability for the County is approximately $2 million to $4 million. The potential liability in *Trina Ray* depends on, among other things, the amount of damages that are demonstrated and the size of the collective class. The case is in the early stages and the County is unable to determine the potential liability at this time.

In December 2018, a class action lawsuit was filed by Rolinda Sotomayor, alleging unpaid compensation for time worked and overtime compensation that was wrongfully withheld. The plaintiff, a custody assistant for the Sheriff's Department, specifically alleges she has not been paid properly for the "donning and doffing" of her uniform at work. The potential liability depends on, among other things, the amount of damages that are demonstrated and the size of the collective class. The case is in the early stages and the County is unable to determine the potential liability at this time.

In February 2019, a class action lawsuit was filed by Paul Randal James, alleging that LAC+USC Medical Center failed to pay the State-mandated minimum wage for all hours worked. The potential liability depends on, among other things, the amount of damages that are demonstrated and the size of the collective class. The case is in the early stages and the County is unable to determine the potential liability at this time.

In March 2019, Service Employees International Union filed a lawsuit seeking to enforce a December 2018 arbitrator's decision against the County holding that certain classes of Eligibility Workers in the Department of Public Social Services were not properly paid "bonus pay" going back to 2004. The case is in the early stages. Based on preliminary estimates, the County may face a potential liability of $15 million.

Public Safety Cases

On December 16, 2014, the Board of Supervisors entered into a settlement agreement in the *Rosas v. Baca, et al.* lawsuit. *Rosas v. Baca, et al* is a Federal class action lawsuit filed by the American Civil Liberties Union (ACLU) alleging a pattern and practice of excessive use of force in the County jails.

Under the terms of the agreement, the Sheriff's Department will implement various reforms recommended by a court-appointed panel of monitors. The settlement agreement requires that the Sheriff's Department comply with various recommendations by specific target dates. The County continues to make progress toward compliance with these recommendations.

On June 4, 2014, the U.S. Department of Justice (the "DOJ") issued a public report alleging that systemic deficiencies related to suicide prevention and mental health care existed in the County jails, and that those deficiencies violated inmates' constitutional rights. The Sheriff's Department and the Department of Mental Health have reached a proposed settlement with the DOJ concerning the DOJ's allegations that the County and the Sheriff's Department are violating inmates' constitutional rights with respect to mental health services and suicide prevention in the County jails as well as DOJ's concerns about the use of excessive force in the County jails.

In 2010, a lawsuit was filed *(Amador v. Baca, et. al.)* claiming that the County and the Sheriff's Department violated the constitutional rights of female inmates through the use of unlawful strip searches. In November 2016, the court certified two classes and three subclasses of female inmates who were searched between 2008 and 2015. In June 2017, the court ruled that the conditions under which the searches occurred rendered them unconstitutional. The class has approximately 87,937 members. The County has reached a $53 million settlement as part of an agreement filed with the court on July 16, 2019. The settlement will be paid in three installments twelve months apart. The first installment will be paid in Fiscal Year 2020-21. Any amounts not claimed by class members will revert back to the County to be used for specific jail-related programs agreed to by the parties.

A lawsuit was filed in October 2012, and subsequently certified as a class action (*Roy v. County of Los Angeles*), alleging that plaintiffs were unlawfully detained by County jail personnel after U.S. Immigration and Customs Enforcement (ICE) placed immigration holds on them. The parties reached a settlement in the amount of $15 million, which will be paid in Fiscal Year 2020-21.

On April 29, 2020, a proposed class-action lawsuit was filed (*Rodney Cullors, et al. v. County of Los Angeles, et al.*) over alleged failures to adequately safeguard the health and safety of inmates in County jails during the COVID-19 pandemic. Plaintiffs demand that the Sheriff implement procedures to protect inmates from contracting COVID-19 while in custody and to comply with guidelines issued by public health agencies including the Centers for Disease Control and Prevention. Plaintiffs also seek release of all inmates and pre-trial detainees who are at heightened risk in the event of infection due to age and/or underlying medical conditions. Prior to the lawsuit's filing, the Sheriff's Department had decreased the inmate population by approximately 30% since February 28, 2020. On May 5, 2020, the court denied plaintiffs' request for a temporary restraining order and preliminary injunction. The case is in the very early stages and the potential liability is unknown at this time.

In September 2019, a lawsuit was filed (Hernandez et al. v. County of Los Angeles, et al.) by eight Sheriff's Department deputies alleging that they were retaliated against and harassed by other deputies who are members of the "Banditos" gang. The claims include California Fair Employment and Housing Act retaliation, harassment, and hostile work environment; Labor Code retaliation; battery and assault; intentional infliction of emotional distress; and negligent hiring, training, supervision, and retention. Plaintiffs have also alleged that the County has engaged in civil rights violations by permitting "a larger pattern of tolerance and endorsement of unconstitutional and unlawful conduct of deputies." Plaintiffs recently brought in the American Civil Liberties Union Foundation of Southern California and filed a third amended complaint. A hearing on two Pitchess motions is set for July 9, 2020 with document productions to follow. The parties are planning on proceeding with depositions in August and mediation in September. The case is in the early stages and the potential liability is unknown at this time.

Social Services Cases

In July 2019, *Victor Avalos v. County of Los Angeles* was filed, arising out of the child abuse-related death of a minor in Lancaster, California in June 2018. Plaintiffs consisting of the child's father and six surviving half-siblings allege that the Department of Children and Family Services violated various mandatory duties and failed to take the children into protective custody at an earlier point in time. The County participated in early mediation efforts in November 2019 but did not reach a resolution. The parties are in discussion. Plaintiffs are seeking $75 million in damages, however the County expects liability, if any, to be substantially less.

Tax Cases

In July 2019, *Aaron Esquenazi, et al. v County of Los Angeles* was filed, alleging that plaintiffs were wrongfully subjected to the utility user tax ("UUT") which only applies to the unincorporated areas of the County. Plaintiffs seek class certification and a UUT refund for all taxpayers who reside in incorporated cities. The case is in the early stages and the potential liability is unknown at this time.

Other Cases

In September 2018, *Maria Veronica Solis Munoz v. County of Los Angeles* was filed, alleging that a Sheriff's Department deputy negligently drove through an intersection against a red light, setting off a chain of events leading to the collision of the deputy's car with the plaintiff and her two minor sons. The two minor sons suffered fatal injuries. The case was settled for $17.5 million. In February 2018, a related case, *Luis Hernandez v. County of Los Angeles*, was filed by the father of the two minor decedents. The father has demanded $28.5 million but the County expects the case to settle for significantly less. Mediation is set for June 29, 2020. Trial is scheduled for April 2021.

On March 10, 2020, a lawsuit was filed by LA Alliance for Human Rights against the City of Los Angeles (the "City") and the County alleging that the City and the County have not taken adequate action to address the homelessness problem in Los Angeles. The parties agreed to stay formal litigation in an effort to negotiate a settlement. On June 18, 2020, the court approved an agreement between the City and the County as to how to fund housing/shelter and services for a segment of the homeless population in the City of Los Angeles. The City will provide 6,700 new beds within the next 18 months to house or shelter people experiencing homelessness within 500 feet of freeway overpasses, underpasses and ramps within the City, and will prioritize those who are 65 years and older and other vulnerable populations. To assist in funding these placements, the County will pay the City $53 million the first year and up to $60 million a year for the following four years. The County will pay the City a one-time bonus of $8 million if

the City provides 5,300 beds within 10 months. Payment to the City is exclusive and the County will continue to allocate Measure H funding by Service Planning Area consistent with Board policy. The parties will continue to work towards resolving the lawsuit, which may include formal mediation. The case is in the very early stages and the County is unable to determine the potential liability at this time.

In October 2019, a lawsuit was filed against the County by Stephen Adamus and two other employees in the County Assessor's office. Plaintiffs allege their duties were taken from them and two were transferred in retaliation for complaining about and refusing to participate in the Assessor's Office alleged practice of allowing tax exemptions for entities and individuals who did not qualify for them due to their affiliations with politicians and/or people who had contributed to their campaigns. The case is in the early stages and the County is unable to determine the potential liability at this time.

In December 2017, the County filed an eminent domain action, *County of Los Angeles v. 8400 S. Vermont Avenue*, to condemn 16 parcels for the Vermont and Manchester Transit Priority Joint Development Project. The County was successful in the taking of the property, but the defendant contested whether the County had provided just compensation. The potential liability is estimated to range from $10-20 million. A jury trial is set for September 1, 2020 to determine the value of the property.

Pending Litigation

There are a number of other lawsuits and claims pending against the County. In the opinion of the County Counsel, such suits and claims that are presently pending will not impair the ability of the County to make debt service payments or otherwise meet its outstanding lease or debt obligations.

TABLE 1: RETIREMENT PLAN UAAL AND FUNDED RATIO
(in thousands)

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2012	$38,306,756	$39,039,364	$50,809,425	$11,770,061	76.83%
06/30/2013	41,773,519	39,932,416	53,247,776	13,315,360	74.99%
06/30/2014	47,722,277	43,654,462	54,942,453	11,287,991	79.45%
06/30/2015	48,818,350	47,328,270	56,819,215	9,490,945	83.30%
06/30/2016	47,846,694	49,357,847	62,199,214	12,841,367	79.35%
06/30/2017	52,743,651	52,166,307	65,310,803	13,144,496	79.87%
06/30/2018	56,299,982	55,233,108	68,527,354	13,294,246	80.60%
06/30/2019	58,294,837	57,617,288	74,635,840	17,018,552	77.20%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2019.

TABLE 2: INVESTMENT RETURN ON RETIREMENT PLAN ASSETS
(in thousands)

Fiscal Year	Market Value of Plan Assets	Market Rate of Return	Funded Ratio Based on Market Value
2011-12	$38,306,756	0.3%	73.7%
2012-13	41,773,519	12.1%	77.6%
2013-14	47,722,277	16.8%	86.0%
2014-15	48,818,350	4.3%	85.0%
2015-16	47,846,694	1.1%	76.1%
2016-17	52,743,651	12.7%	80.0%
2017-18	56,299,982	9.0%	81.3%
2018-19	58,294,837	5.5%	77.3%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2019.

TABLE 3: COUNTY PENSION AND OPEB PAYMENTS
(in thousands)

	Payments to LACERA				
Fiscal Year	Retirement Fund	OPEB (PAYGO)	OPEB (Prefund)	OPEB Disability	Total Retirement & OPEB Payments
2013-14	$1,262,754	$446,979	$0	$37,320	$1,747,053
2014-15	1,430,462	450,202	0	39,920	1,920,584
2015-16	1,383,897	507,698	72,489	37,597	2,001,681
2016-17	1,334,825	529,074	61,145	38,778	1,963,822
2017-18	1,499,212	559,233	120,796	41,141	2,220,382
2018-19	1,635,719	604,665	182,851	41,626	2,464,861
2019-20	1,770,481 *	634,752	246,197	42,563 *	2,693,993 *
2020-21	2,021,339 *	677,775 *	309,399 *	44,635 *	3,053,148 *

Source: Milliman Actuarial Valuations (of LACERA), Los Angeles County CAFRs and County of Los Angeles Chief Executive Office.
* Estimated

`

BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

The County is required by California State Law to adopt a balanced budget by October 2nd of each year. The CEO of the County prepares a preliminary forecast of the County budget based on the current year budget, the State budget, and other projected revenue and expenditure trends. Expanding on this forecast, the CEO prepares a target County budget for the ensuing fiscal year, and projected resources are tentatively allocated to the various County programs and services.

The CEO normally presents the Recommended County Budget to the Board of Supervisors in April. The Board of Supervisors is required to adopt a Recommended Budget no later than June 30th. If a final County Budget is not adopted by June 30th, the appropriations approved in the Recommended Budget, with certain exceptions, become effective for the new fiscal year until the final budget is approved.

The CEO generally recommends revisions to the County Budget after adoption of the final State budget to align County expenditures with approved State funding. After conducting public hearings and deliberating on the details of the budget, the Board of Supervisors is required to adopt the Final County Budget by October 2nd of each year.

Throughout the remainder of the fiscal year, the Board of Supervisors approves various adjustments to the Final County Budget to reflect changes in appropriation requirements and funding levels. The annual revenues from the State and Federal governments are generally allocated pursuant to formulas specified in State and Federal statutes. For budgetary or other reasons, such statutes are often subject to change that may affect the level of County revenues and budgetary appropriations.

COUNTY BUDGET OVERVIEW

The County Budget is comprised of eight fund groups through which the County's resources are allocated and controlled. These groups include the General Fund and Hospital Enterprise Fund (which represents the General County Budget), Special Revenue Funds, Capital Project Special Funds, Special District Funds, Other Enterprise Funds, Internal Service Fund, and Agency Fund.

The General County Budget accounts for approximately 77.2% of the Fiscal Year 2020-21 Final Recommended Budget (the “Final Recommended Budget”) and appropriates funding for programs that are provided on a mostly county-wide basis *(e.g.*, health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis *(e.g.*, law enforcement, planning and engineering).

Special Revenue Funds represent approximately 10.8% of the Final Recommended Budget and are used to account for the allocation of revenues that are restricted to defined purposes, such as public library operations, road construction and maintenance programs, specific automation projects and Measure H – Los Angeles County Plan to Prevent and Combat Homelessness.

Capital Project Special Funds account for approximately 1.0% of the Final Recommended Budget and provide funding for the acquisition or construction of major capital facilities that are not financed through other funding sources.

Special District Funds, which account for approximately 7.9% of the Final Recommended Budget, are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Internal Services and Agency Funds account for 3.1% of the Final Recommended Budget.

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

Article XIIIA of the California Constitution limits the taxing powers of California public agencies. Article XIIIA provides that the maximum ad valorem tax on real property cannot exceed 1% of the Full Cash Value of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes required to pay debt service on voter-approved general obligation bonds. Full Cash Value is defined as 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 a change in ownership has occurred after the 1975 assessment.

The Full Cash Value is subject to annual adjustment to reflect inflation at a rate not to exceed 2%, or a reduction as shown in the consumer price index (or comparable local data), or a decline in property value caused by damage, destruction or other factors. The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on certain types of indebtedness approved by the voters.

Article XIIIB of the California Constitution limits the amount of appropriations by local governments to "Proceeds of Taxes." The County's appropriation limit for Proceeds of Taxes for Fiscal Year 2020-21 is $28,220,342,782. The Final Recommended Budget includes proceeds from taxes of $10,367,643,000, which is substantially below the statutory limit.

Proposition 62

Proposition 62, a 1986 ballot initiative that amended the California Constitution, requires voter approval of all new taxes or any increases to local taxes. A challenge to taxes subject to Proposition 62 may only be made for those taxes collected beginning one year before a claim is filed. Such a claim is a necessary prerequisite to the filing of a lawsuit against a public entity in California.

`

Proposition 218

Proposition 218, a 1996 ballot initiative that added Articles XIIIC and XIIID to the California Constitution, established the following requirements on all taxes and property-related assessments, fees, and charges:

- precluded special purpose districts or agencies, including school districts, from levying general taxes;
- precluded any local government from imposing, extending or increasing any general tax unless such tax is approved by a majority of the electorate;
- precluded any local government from imposing, extending or increasing any special purpose tax unless such tax is approved by two-thirds of the electorate; and
- ensured that voters may reduce or repeal local taxes, assessments, or fees through the initiative process.

An Appellate Court decision determined that Proposition 218 did not supersede Proposition 62. Consequently, voter approval alone may not be sufficient to validate the imposition of general taxes adopted, increased or extended after January 1, 1995.

Proposition 218 also expressly extends to voters the power to reduce or repeal local taxes, assessments, and fees through the initiative process, regardless of the date such charges were imposed. SB 919, the Proposition Omnibus Implementation Act, was enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions to comply with Proposition 218. SB 919 states that the initiative power provided for in Proposition 218 shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by the United States Constitution.

In the 2006 case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)*, the State Supreme Court suggested that the initiative power under Proposition 218 is not free of all limitations and could be subject to restrictions imposed by the contract clause of the United States Constitution. No assurance can be given, however, that voters in the County will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees or charges that are deposited into the County's General Fund. In addition, "fees" and "charges" are not defined by Article XIIIC or SB 919, and the scope of the initiative power under Article XIIIC could include all sources of General Fund revenue not received from or imposed by the Federal or State government or derived from investment income.

Proposition 1A 2004

Proposition 1A 2004, approved by the voters in November 2004, amended the State Constitution by limiting the State's authority to reduce local sales tax rates or alter their method of allocation, shift property tax revenues from local governments to schools or community college districts, or decrease Vehicle License Fee ("VLF") revenues without providing replacement funding. Proposition 1A 2004 further amended the State Constitution by requiring the State to suspend State laws that create unfunded mandates in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. Pursuant to Proposition 1A 2004, the State can no longer reallocate local property tax revenues without triggering a constitutional obligation to repay the local taxing agencies within three years. The State is further prohibited from reallocating local property tax revenues on more than two occasions within a ten-year period.

Proposition 26

On November 2, 2010, voters approved Proposition 26, which amended the State Constitution to expand the definition of a tax so that certain fees and charges imposed by the State and local governments will now be subject to approval by two-thirds of each house of the State Legislature or approval by local voters, as applicable. Proposition 26 requires a two-thirds approval by each house of the State Legislature to enact new laws that increase taxes on any taxpayer and repealed State laws that were in conflict with the measure, unless they were approved again by two-thirds of each house of the State Legislature.

Future Initiatives

Propositions 13, 62, 218, 1A 2004 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting County revenues or the County's ability to expend revenues.

FEDERAL AND STATE FUNDING

A significant portion of the County budget is comprised of revenues received from the Federal and State governments. As indicated in the table "Historical Appropriations by Fund" on page A-21 of this Appendix A, $4.585 billion of the $26.944 billion Final Recommended Budget is received from the Federal government and $6.738 billion is funded by the State. The remaining $15.621 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 42% of General County funding is provided by the State and Federal government illustrates the County's significant reliance on outside funding sources.

Federal Budget Update

In response to the public health and economic crisis from the COVID-19 pandemic, Congress enacted four legislative bills that provided funding to federal, state and local governments. Congress is currently considering other legislative proposals to provide additional relief.

On March 6, 2020, the first COVID-19 relief bill, H.R. 6074, the "Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020," (P.L. 116-123) was signed into law and provided $8.3 billion to support state and local health agencies, vaccine and treatment development, and affected small businesses with loans.

The second COVID-19 relief bill, H.R. 6201, the "Families First Coronavirus Response Act," (P.L. 116-127) was signed on March 18, 2020 and provided health and nutrition assistance, as well as new labor provisions related to emergency sick leave and emergency family medical leave.

The third COVID-19 relief bill, H.R. 748, the "Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), was signed

on March 27, 2020 and provided $2.0 trillion of funding to address the fiscal and economic impacts of the COVID-19 emergency. The CARES Act created a $150.0 billion Coronavirus Relief Fund ("CRF") for COVID-19 expenditures incurred by state and local governments. The County's allocation from CRF was $1.05 billion. In addition to the amounts from the CRF, the County received funding for various other programs including $103.9 million for the County's healthcare-related expenses.

On April 24, 2020, the fourth COVID-19 bill, H.R. 266, the "Paycheck Protection Program and Health Care Enhancement Act" (P.L. 116-139), was signed into law and provided additional funding for hospitals, COVID-19 testing, and funds to replenish Small Business Administration (SBA) programs.

A fifth COVID-19 relief bill, H.R. 6800, the "Health and Economic Recovery Omnibus Emergency Solutions Act (the "HEROES Act") was passed by the House of Representatives on May 15, 2020. The HEROES Act would provide funding to state and local governments to offset revenue losses caused by the COVID-19 pandemic, along with additional funding to support the following County priorities: $875.0 billion in CRF stabilization funding, several Medicaid provisions that would provide savings to the County, a provision that increases the federal cost share of the Federal Emergency Management Agency's assistance, and $200.0 billion in additional funding for housing and homelessness programs. However, the HEROES Act is currently stalled in the Senate, with the majority leadership expressing strong opposition to the bill.

Additionally, Congress is considering S. 3752 (Menendez), the "State and Municipal Assistance for Recovery and Transition Act (the "SMART Act"), which is a bipartisan, bicameral bill that would provide $500.0 billion in funding for states, local, and tribal governments. Of the $500.0 billion authorized under the SMART Act, one-third of the funding would be distributed to counties and municipalities based on their proportion of their state's population and could be used to address the loss of revenues.

STATE BUDGET PROCESS

Over the past twenty-five years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in the same decade, the 2001 and 2008 recessions and subsequent recoveries, and the current financial crisis caused by the COVID-19 pandemic. With the steady improvement in the State economy since the 2008 recession and the passage of Proposition 30 in the November 2012 election (and the subsequent extension by voters with the passage of Proposition 55 in November 2016), the State experienced significant improvement to its budget stability and overall financial condition, and is in a historically stronger position to manage the fiscal impact of the current recession caused by the COVID-19 pandemic. The State's budgetary decisions in response to the COVID-19 pandemic will have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

Fiscal Year 1991-92 Realignment Program

In Fiscal Year 1991-92, the State and county governments collectively developed a program realignment system (the "1991-92 Realignment Program") that removed State funding for certain health and welfare programs and provided counties with additional flexibility to administer such programs. Under the 1991-92 Realignment Program, certain health and welfare services are funded by a 0.5% increase in sales taxes and increased vehicle license fees. Since counties receive their share of the funding for health and welfare programs under a fixed formula prescribed by State law, the flow of funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will still maintain responsibility for the management and cost of such programs.

On June 27, 2013, Governor Brown signed into law AB 85, which provides a mechanism for the State to redirect certain 1991-92 Realignment Program health care funding to social service programs. With California electing to implement a state-run Medicaid expansion pursuant to the Affordable Care Act, the State anticipates that the cost to counties for providing health care services to the indigent population will decrease as this population becomes eligible for coverage through Medi-Cal or the State-run health insurance exchange. The impact of the AB 85 legislation to the County is discussed in further detail in the Health Services Budget section

Public Safety Realignment

The approval of the Public Safety Realignment Act of 2011 (AB 109) transferred responsibility for the custody and supervision of specific low-level inmates and parolees from the California Department of Corrections and Rehabilitation to counties. Funding for AB 109 is financed by redirecting 1.0625% of State sales tax revenue and a portion of Vehicle License Fee revenues from the State to the counties. In November 2012, California voters passed Proposition 30, which authorized a constitutional amendment prohibiting the State Legislature from removing AB 109 funding.

Redevelopment Agencies

Effective February 1, 2012, and pursuant to Assembly Bill x1 26 ("ABx1 26"), redevelopment agencies throughout the State were abolished and prohibited from engaging in future redevelopment activities. ABx1 26 requires successor agencies to take over from the former redevelopment agencies and perform the following functions:

- Continue making payments on existing legal obligations without incurring any additional debt.
- Wind down the affairs of the former redevelopment agencies and return the funds of liquidated assets to the county Auditor-Controller, who will in turn distribute these funds to the appropriate local taxing entities.

Under ABx1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes", are to be distributed as property tax revenue to the appropriate local taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County General Fund was approximately $453.0 million in Fiscal Year 2009-10. In Fiscal Years 2016-17, 2017-18, and 2018-19 the County General Fund received $175.2 million, $201.9 million, and $243.2 million of residual taxes, respectively. The budgeted and estimated residual tax revenue for Fiscal Year 2019-20 is $244.3 million, while the Final Recommended Budget

includes a projected $266.2 million of residual tax revenue for the General Fund.

The County's direct involvement in redevelopment activities was limited to unincorporated areas of the County and to a small number of projects. The successor agency for these activities is the County's Community Development Commission. The dissolution of County related projects is not expected to have a material impact, if any, on the financial condition of the County.

2019-20 STATE BUDGET

On June 27, 2019, Governor Newsom signed the Fiscal Year 2019-20 State Budget Act (the "2019-20 State Budget Act"), which projected a beginning fund balance from Fiscal Year 2018-19 of $6.772 billion, total revenues and transfers of $143.805 billion, total expenditures of $147.781 billion, and a year-end fund balance of $2.796 billion for Fiscal Year 2019-20. Of the projected year-end fund balance, $1.385 billion would be allocated to the Reserve for Liquidation of Encumbrances and $1.412 billion would be deposited to the Special Fund for Economic Uncertainties. The 2019-20 State Budget Act continued to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund), which would bring the balance of the Rainy Day Fund to $16.516 billion.

The 2019-20 State Budget Act reflected the ongoing improvement in the State revenue forecast, resulting in an increase in total projected resources available of $2.719 billion over the 2019-20 Proposed State Budget. The 2019-20 State Budget Act reflected a projected increase in total expenditures of $3.59 billion over the 2019-20 Proposed State Budget, with funding for key State priorities including reducing health care costs and increasing access to health care for families, investing to accelerate the production of new housing, expanding the California Earned Income Tax Credit for working families, increasing response and recovery funding for emergencies, investing $1.0 billion to combat homelessness, and providing ongoing funding for safe and affordable drinking water.

2020-21 STATE BUDGET

On January 10, 2020, Governor Newsom released his Fiscal Year 2020-21 Proposed State Budget (the "Proposed State Budget"), which preceded the COVID-19 pandemic and did not reflect the significant adverse impacts that it will have on the State's financial condition. The Proposed State Budget projected a beginning fund balance from Fiscal Year 2019-20 of $5.234 billion, total revenues and transfers of $151.635 billion, total expenditures of $153.083 billion, and a year-end fund balance of $3.786 billion for Fiscal Year 2020-21. Of the projected year-end fund balance, $2.145 billion would be allocated to the Reserve for Liquidation of Encumbrances and $1.641 billion would be deposited to the Special Fund for Economic Uncertainties. The Proposed State Budget continued to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund), which would bring the balance of the Rainy Day Fund to $17.977 billion.

At the time of release prior to the COVID-19 outbreak, the Proposed State Budget reflected the ongoing improvement in the State revenue forecast, resulting in an increase in total projected resources available of $6.292 billion over the 2019-20 State Budget Act. The Proposed State Budget reflected a projected increase in total expenditures of $5.302 billion over the 2019-20 State Budget Act, with funding for key State priorities including addressing the housing and health care affordability crisis; confronting homelessness; enhancing the State's emergency response capabilities; expanding paid family leave and the California Earned Income Tax Credit; increasing child support payments for CalWORKs families; protecting the environment and addressing the effects of climate change; criminal justice reform; realigning workforce training programs and promoting economic activity and job creation.

On May 14, 2020, Governor Newsom released the Fiscal Year 2020-21 May Budget Revision (the "May Budget Revision"). The May Budget Revision projects a beginning fund balance from Fiscal Year 2019-20 of $1.619 billion, total revenues and transfers of $137.417 billion, total expenditures of $133.901 billion, and a year-end fund balance of $5.135 billion for Fiscal Year 2020-21. Of the projected year-end fund balance, $3.175 billion would be allocated to the Reserve for Liquidation of Encumbrances and $1.96 billion would be deposited to the Special Fund for Economic Uncertainties. The May Budget Revision projects a reduction in the State's Budget Stabilization Account (Rainy Day Fund) to $8.35 billion by the end of Fiscal Year 2020-21 and full depletion of such fund by Fiscal Year 2022-23.

As a result of the COVID-19 pandemic, the May Budget Revision reflects a $54.3 billion deficit, consisting of $41.2 billion in revenue decreases and $13.1 billion in cost increases. To balance the budget, the Governor proposed to cancel $8.4 billion in funding increases; withdraw $8.8 billion in reserves, including $7.8 billion from the Rainy Day Fund and $450 million from the Safety Net Reserves; generate $10.4 billion by borrowing from special funds along with transfers and deferrals; generate $4.4 billion in new revenue; use $8.3 billion in Federal CARES Act funds, including $1.3 billion for counties for public health, behavioral health and other health and human services programs; and implement $14 billion in trigger cuts that will not take effect if additional and sufficient Federal funds are provided. The May Budget Revision continued to reflect the Governor's priorities of protecting public health, public safety and public education.

On June 29, 2020, Governor Newsom signed two State budget bills (SB 74 and AB 89), along with eighteen budget trailer bills, that together, constitute the Fiscal Year 2020-21 State Budget Act (the "2020-21 State Budget Act"). The 2020-21 State Budget Act projects a beginning fund balance from Fiscal Year 2019-20 of $1.972 billion, total revenues and transfers of $137.719 billion, total expenditures of $133.900 billion, and a year-end fund balance of $5.791 billion for Fiscal Year 2020-21. Of the projected year-end fund balance, $3.175 billion will be allocated to the Reserve for Liquidation of Encumbrances and $2.616 billion will be deposited to the Special Fund for Economic Uncertainties.

To address the projected $54.3 billion deficit, the 2020-21 State Budget Act: generates $10.6 billion from program expansion cancellations, lower health and human services caseload projections, and higher revenue assumptions; reflects $10.1 billion in Federal funds; includes $9.3 billion in borrowing, transfers and deferrals; draws down $7.8 billion from the Rainy Day Fund and $450.0 million from the Safety Net Reserve; generates $4.4 billion in new revenues; and includes $11.1 billion in reductions and deferrals that will be restored if at least $14.0 billion in Federal funds are received by October 15, 2020. If the State receives a lower Federal funding amount (between $2.0 billion and $14.0 billion), the reductions and deferrals will be partially restored.

The items in the 2020-21 State Budget Act that are of major interest to the County include the following:

Realignment Revenue Backfill for Counties. Provides $1.0 billion in State funding to counties to backfill reduced 1991 and 2011 Realignment revenues. Of this amount, $750.0 million is currently available. The remaining $250.0 million is subject to the Federal trigger funding and will be made available if sufficient Federal funds are received by October 2020. The 2020-21 State Budget Act requires counties to prioritize funding to support entitlement programs and programs that serve vulnerable populations, including young offenders in the criminal justice system. The California Department of Finance, in consultation with the California State Association of Counties, will develop a countywide allocation schedule to distribute the funds.

Federal CARES Act Funding. Provides $1.289 billion to counties to be used for homelessness, public health, public safety, and other services to combat the COVID-19 pandemic, which would be allocated based on population, while considering any prior direct allocation of CARES Act funding; and $500.0 million to cities for homelessness, public health, public safety, and other services to combat the COVID-19 pandemic including, $225.0 million to cities with a population greater than 300,000 that did not receive a direct allocation from the CARES Act and $275.0 million to cities with a population of less than 300,000.

Public Health. Provides $5.7 billion to respond directly to the COVID-19 pandemic, including funding for personal protective equipment necessary to reopen the economy, hospital surge preparation, and other expenditures to support at-risk populations.

Health and Human Services. Expands Medi-Cal eligibility for seniors and preserves optional benefits; maintains In-Home Support Services service hours at current year levels; maintains CalWORKs eligibility and grant levels and extends the time limit for aid to adult recipients from 48 months to 60 months.

Project Roomkey. Provides $550.0 million of CARES Act funding for the acquisition and/or rehabilitation of motels, hotels, or hostels; master leasing of properties; acquisition of other sites and assets; conversion of units from nonresidential to residential; purchase of affordability covenants and restrictions for units; and the relocation costs for individuals who are being displaced as a result of the rehabilitation of existing units. An additional $50.0 million will be provided to Project Roomkey, to be dispersed through the Multifamily Housing Program to fund the acquisition, conversion, rehabilitation, and operating subsidies for hotels, motels, and other properties to provide housing for people experiencing homelessness or at-risk of becoming homeless.

Homelessness Programs and Services. Provides $300.0 million in State funding for homelessness, of which $80.0 million will be allocated to counties, $90.0 million to Continuums of Care, and $130.0 million to cities with a population of 300,000 or more as of January 1, 2020.

Infill Infrastructure Grant Program. Maintains $203 million of funding for the Infill Infrastructure Grant Program of 2019, using Federal funding should the State receive an additional $14.0 billion of flexible Federal funding by October 15, 2020. This program supports the development of additional housing by providing for the construction, rehabilitation, demolition, relocation, preservation, and acquisition of infrastructure that supports housing development.

Housing Counseling and Legal Aid. Allocates $331.0 million to the National Mortgage Settlement Trust Fund, of which $300.0 million would be designated for housing counseling and mortgage relief and $31.0 million for tenant legal aid.

Community Corrections Performance Incentive Grant. Allocates $112.7 million of statewide funding for the Community Corrections Performance Incentive Grant, which provides county probation departments with performance-based funding to reduce the number of adult felony probationers going to State prison. The County is projected to receive approximately $37.4 million of funding in Fiscal Year 2020-21, which is comparable to the current fiscal year appropriation.

Proposition 57 of 2016. Provides $12.9 million of statewide funding for county probation departments to manage the temporary increase in the Post Release Community Supervision (PRCS) population as a result of Proposition 57. The County is projected to receive approximately $3.4 million of Proposition 57 funding in Fiscal Year 2020-21.

CalFresh County Administration. Provides $74.2 million in State funding for CalFresh county administration support to reflect revised caseload estimates.

Simplification of the CalFresh Program. Provides $27.5 million of funding to achieve simplifications in the CalFresh program.

California Disaster Assistance Act (CDAA). Provides $100.8 million in increased funding to repair, restore, or replace public real property damaged or destroyed by a disaster or to reimburse local governments for eligible costs associated with emergency activities undertaken in response to a state of emergency proclaimed by the Governor.

Community Power Resiliency. Provides $50.0 million in one-time State funding for Community Power Resiliency to support additional preparedness measures that bolster community resiliency. Local governments, including cities, counties, and special districts, are eligible to receive funding.

Elections Funding. Provides $35.0 million of State funding for the November 2020 election and adopts language for a mechanism to provide additional funding for increased costs, if adequately justified. The Secretary of State has the authority to spend $65.5 million of additional Federal funds for the implementation of State mandates in the Help America Vote Act of 2002 as it relates to the Consolidated Appropriations Act of 2020 and the CARES Act due to the COVID-19 pandemic.

RECENT COUNTY BUDGETS

General County Budgets have reflected a conservative approach and have sought to maintain a stable budgetary outlook in an uncertain fiscal environment. As a result of the 2008 economic downturn, which started to impact the budget in Fiscal Year 2008-09, the County experienced a “cyclical” budget deficit, as revenues declined and spending on safety net programs and pension-related costs increased. The economic downturn had a significant impact on the NCC budget gap, which reached a peak of $491.6 million in Fiscal Year 2010-11. NCC is the portion of the County’s budget that is financed with County discretionary funding (also known as locally generated revenues).

In order to manage the budget gaps caused by the 2008

recession, the County used a balanced approach of curtailing departmental budgets and using reserves and capital funding appropriations to achieve a balanced budget. To control costs, the County achieved significant savings through its efficiency initiative program, and the implementation of a hiring freeze and a freeze on non-essential services, supplies and equipment, which ended as of July 1, 2013. The County eliminated 2,735 budgeted positions from Fiscal Year 2009-10 to Fiscal Year 2011-12, and the County's employee labor groups agreed to zero cost-of-living adjustments and no salary increases for a five-year period beginning in Fiscal Year 2008-09. If the County had relied solely on curtailments, the impact to County services and its residents would have been much more severe and most likely would have resulted in the reduction of critical services and the layoff of large numbers of County employees. The measured approach to managing budgetary challenges, including the use of one-time funding sources, enabled the County to more strategically achieve balanced budgets, and maintain critical core services.

Property Tax Revenue

Property tax revenue represents the largest source of ongoing discretionary revenue for the County. The reliability of property tax revenue is due in large part to Proposition 13, which helps insulate the County from the cyclical nature of the real estate market. Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation or deflation. As a result of Proposition 13, there is a significant amount of "stored" home value appreciation that is not reflected on the property tax rolls, which helped to offset a significant decrease in property values during the 2008 economic downturn.

To illustrate this point, average median home prices in the County declined by 48% from their peak value in August 2007 ($562,346) to a low in January 2012 ($290,015), but the net revenue-producing value of the property tax roll (the "Net Local Roll") decreased by only 0.51% and 1.87% in Fiscal Years 2009-10 and 2010-11, respectively. After the economic downturn in 2008, and the subsequent recovery in the real estate market, the County has experienced nine consecutive years of steady growth in assessed valuation, with increases in the Net Local Roll of 1.36%, 2.20%, 4.66%, 5.47%, 6.13%, 5.58%, 6.04%, 6.62% and 6.25% in Fiscal Years 2011-12 through 2019-20, respectively.

For Fiscal Year 2019-20, the Assessor reported a Net Local Roll of $1.604 trillion, which represents an increase of 6.25% or $94.4 billion from Fiscal Year 2018-19. The Fiscal Year 2019-20 Net Local Roll represents the largest revenue-producing valuation in the history of the County, and the ninth consecutive year of assessed valuation growth. The largest factors contributing to the increase in assessed valuation in Fiscal Year 2018-19 are transfers in ownership ($48.3 billion), an increase in the consumer price index ($28.7 billion), and new construction ($11.1 billion).

For the Fiscal Year 2019-20 tax roll, the Assessor estimates that approximately 9.9% of all single-family residential parcels, 10.3% of all residential income parcels and 13.3% of commercial-industrial parcels are 1975 base-year parcels, which indicates a significant amount of stored value that can be realized on future tax rolls when these parcels are sold and re-assessed at higher values.

With the downturn in the real estate market caused by the 2008 recession, the County Assessor initiated Proposition 8 reviews of 791,000 parcels. As a result of the Assessor's proactive approach to Proposition 8 reviews, the valuations of 552,000 parcels sold during the height of the real estate market were adjusted downward to reflect current market values at the time of the review. The lower valuations helped to insulate the County from future reductions in the Net Local Roll if these properties were re-sold at lower market values. In response to the improvement in the real estate market, and beginning with the Fiscal Year 2008-09 Assessment Roll, the Assessor initiated a review of the 552,000 parcels to determine if the reductions in assessed value were still warranted under Proposition 13. Based on this review, the Assessor has fully restored approximately 477,000 parcels to their Proposition 13 base year value, with 75,000 parcels still eligible for potential restorations in value.

On May 15, 2020, the Assessor released the Assessment Roll Forecast for Fiscal Year 2020-21. The Assessment Roll Forecast reflects a 5.25% or $84.3 billion increase from Fiscal Year 2019-20, resulting in a projected Net Local Roll of approximately $1.7 trillion for Fiscal Year 2020-21. The primary factors driving the increase in the Net Local Roll are property transfers ($45.0 billion) and a 2.0% increase in the consumer price index ($30.6 billion). The projected increase in the Net Local Roll is the result of continued strength in the real estate market and relatively high demand for new construction prior to the COVID-19 pandemic. The future impact of the COVID-19 pandemic on the real estate market is currently unknown. The Assessor is scheduled to release the final Assessment Roll for Fiscal Year 2020-21 in July 2020.

FISCAL YEAR 2019-20 FINAL ADOPTED BUDGET

The Fiscal Year 2019-20 Final Adopted Budget (the "2019-20 Final Adopted Budget") was approved by the Board of Supervisors on October 1, 2019. The 2019-20 Final Adopted Budget appropriated $36.055 billion, which reflects a $3.256 billion or 9.9% increase in total funding requirements from the Fiscal Year 2018-19 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriated $27.925 billion, which represents a $2.226 billion or 8.7% increase from the Fiscal Year 2018-19 Final Adopted Budget. The 2019-20 Final Adopted Budget appropriated $8.130 billion for Special Funds/District, reflecting a $1.030 billion or 14.5% increase from the Fiscal Year 2018-19 Final Adopted Budget.

The primary changes to the ongoing NCC component of the 2019-20 Final Adopted Budget are outlined in the following table.

`

Fiscal Year 2019-20 NCC Budget Changes

Public Assistance Changes	$22,458,000
Unavoidable Cost Increases	
Health Insurance Subsidy	33,611,000
Pension Costs	63,094,000
Employee Salaries	130,182,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Cost Changes	5,317,000
Program Changes	
Affordable Housing & Economic Development	20,200,000
Body-Worn Cameras	17,995,000
Correctional Health	10,000,000
Public Safety Programs	25,812,000
Debt Service	(5,803,000)
All Other Program Changes	45,195,000
Fiscal Policies	
Appropriation for Contingency	(292,000)
Deferred Maintenance	5,000,000
Total Net County Cost Increases	**397,769,000**
Revenue Changes	
Property Taxes	346,343,000
Property Taxes - CRA Dissolution Residual	17,387,000
Public Safety Sales Tax	28,563,000
Various Revenue Changes	5,476,000
Total Locally Generated Revenue	**397,769,000**
Total Projected Budget Gap	$ -

Public Assistance Change

The increase in funding for Public Assistance in the 2019-20 Final Adopted Budget is primarily due to funding increases to the In-Home Supportive Services Program, General Relief, Kinship Guardianship Assistance Payment Program, Foster Care, Adoptions and Emergency services. The increases are partially offset by a reduction in CalWORKs caseload and a decrease in a variety of other Public Assistance programs.

Unavoidable Cost Increases

Salaries and Employee Benefits - Unavoidable cost increases are primarily the result of approved salaries and employee benefit increases, and expected salary and benefit increases that are subject to negotiations with the County's collective bargaining units.

Prefund Retiree Healthcare Benefits – The 2019-20 Final Adopted Budget appropriated $246.2 million in pre-funding contributions to the OPEB Trust Fund, which is comprised of $100.0 million in NCC and $146.2 million in projected subvention revenue received from Federal, State and other local government entities. This is the fifth year of a multi-year plan approved by the Board of Supervisors on June 22, 2015 that is expected to incrementally increase the prefunding of retiree healthcare benefits on an annual basis.

Program Changes

The 2019-20 Final Adopted Budget included $113.4 million of adjustments to various County programs, including increases for public safety, social services and health and mental services.

Fiscal Policies

The balance of the Rainy Day Fund for Fiscal Year 2019-20 is $601.9 million, which is approximately 8.8% of ongoing discretionary revenues. As part of the 2019-20 Final Adopted Budget $37.8 million was set aside in Appropriations for Contingencies, which reflects 10% of new ongoing discretionary revenues. The 2019-20 Final Adopted Budget also included a $5 million allocation for deferred maintenance needs.

Revenue Changes

The 2019-20 Final Adopted Budget included a $346.3 million increase in property tax revenues based on the 6.25% increase in the Net Local Roll. The 2019-20 Final Adopted Budget also included a $17.4 million increase in the property tax residual from the dissolution of redevelopment agencies.

Based on current trends and a survey of local economic forecasts, the County assumed a 2.0% growth factor in its overall statewide sales tax projection for the 2019-20 Final Adopted Budget. Based on the 2.0% growth rate, the County projected a $28.6 million increase in Proposition 172 Sales Tax in Fiscal Year 2019-20.

FISCAL YEAR 2020-21 BUDGET

The COVID-19 outbreak, which was declared a global pandemic in March 2020, has created an unprecedented global health crisis and spurred a sudden economic downturn throughout the United States. In response to the COVID-19 pandemic, the County implemented protective measures to mitigate the spread of COVID-19 with the issuance of the Safer at Home Order on March 19. 2020. Recognizing the direct and indirect impacts these actions would have on families, workers and businesses throughout the region, the Board of Supervisors passed an eviction moratorium and established the Los Angeles County Business and Worker Disaster Help Center to provide centralized resources to businesses, employers and workers.

The COVID-19 pandemic has caused a significant reduction in economic activity throughout the County. In an effort to reopen businesses and continue to abide with infection control practices, the County implemented a Roadmap to Recovery Plan (the "Roadmap to Recovery Plan") for a phased re-opening protocol across businesses within its region. The Roadmap to Recovery Plan defined the 5-Stage reopening process beginning with low-risk businesses and building up to the highest risk business, identified essential and non-essential businesses, and described social distancing and infectious control protocols to follow throughout the reopening process. The Roadmap to Recovery Plan is consistent with the baseline statewide restrictions as well as Governor Gavin Newsom's March 19, 2020 Executive Order N-33-20 and the May 4, 2020 Executive Order N-60-20 directing California residents to follow the State Shelter Order.

Impact of COVID-19 on the 2019-20 Final Adopted Budget

Based on the latest economic data and forecasts, the County is projecting a sharp decrease in revenues, primarily in sales tax and realignment revenues, along with additional COVID-19 costs resulting in an estimated shortfall of $1.2 billion for Fiscal Year 2019-20.

`

The County plans to close this deficit by using a variety of approaches, including: 1) implementing a hiring and purchasing freeze; 2) having departments absorb expenses and/or secure additional revenue; 3) useing departmental trust funds and reserves; and 4) useing Countywide reserves (such as the Rainy-Day Fund).

FISCAL YEAR 2020-21 RECOMMENDED BUDGET

The Fiscal Year 2020-21 Recommended Budget (the "Recommended Budget") was presented to the Board of Supervisors on April 28, 2020. The Recommended Budget was developed prior to the COVID-19 outbreak and did not include the adverse impact of the pandemic on the financial condition of the County. The Recommended Budget appropriated $35.5 billion, which reflected a $594 million or 1.6% decrease in total funding requirements from the 2019-20 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriated $27.479 billion, which represented a $446 million or 1.6% decrease from the 2019-20 Final Adopted Budget. The Recommended Budget appropriated $7.982 billion for Special Funds/District, reflecting a $148 million or 1.8% decrease from the Fiscal Year 2019-20 Final Adopted Budget.

The primary changes to the ongoing NCC component of the Recommended Budget are outlined in the following table.

Fiscal Year 2020-21 Recommended NCC Budget Changes

Public Assistance Changes	$47,212,000
Unavoidable Cost Increases	
Salaries and Employee Salaries	262,747,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Cost Changes	5,306,000
Program Changes	
Affordable Housing & Economic Development	200,000
Public Safety Programs	20,082,000
Debt Service	6,817,000
All Other Program Changes	31,887,000
Fiscal Policies	
Appropriation for Contingency	(7,110,000)
Deferred Maintenance	7,058,000
Total Net County Cost Increases	**399,199,000**
Revenue Changes	
Property Taxes	291,256,000
Property Taxes - CRA Dissolution Residual	21,875,000
Public Safety Sales Tax	26,653,000
1991 Realignment - Sales Tax	25,733,000
1991 Realignment - Vehicle License Fee	16,746,000
Interest Earnings	(13,064,000)
Fund Balance Adjustment	25,000,000
Various Revenue Changes	5,000,000
Total Locally Generated Revenue	**399,199,000**
Total Projected Budget Gap	$ -

FISCAL YEAR 2020-21 FINAL RECOMMENDED BUDGET

Due to the significant adverse impacts of COVID-19 on the national, state and local economies, the Recommended Budget has been revised with the Final Recommended Budget, which is scheduled to be approved by the Board of Supervisors on June 29, 2020.

In response to the COVID-19 pandemic, the Final Recommended Budget appropriates $34.9 billion, which reflects a $560 million or 1.6% decrease in total funding requirements from the Recommended Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $26.944 billion, which represents a $535 million or 1.9% decrease from the Recommended Budget. The Final Recommended Budget appropriates $7.957 billion for Special Funds/District, reflecting a $25 million or 0.3% decrease from the Recommended Budget.

The Final Recommended Budget projects $935.3 million in revenue losses, consisting of $446.0 million in General Fund net County cost ("NCC") and $489.3 million primarily in 1991 and 2011 State realignment revenues and Measure H sales tax revenues (Other Budget Changes). The County plans to mitigate the projected revenue losses through a combination of departmental expenditure curtailments, a reduction in employee benefits and the use of program reserves set aside in departmental trust accounts. Details of these changes are outlined in the following two sections entitled Fiscal Year 2020-21 Final Recommended NCC Budget Changes and Fiscal Year 2020-21 Final Recommended Budget -Other Changes.

The primary changes to the ongoing NCC component of the Final Recommended Budget are outlined in the following table.

Fiscal Year 2020-21 Final Recommended NCC Budget Changes

Unavoidable Cost Increases	
Salaries and Employee Benefits	$9,000
Pension Costs	(15,392,000)
Program Changes	
Affordable Housing & Economic Development	(200,000)
Public Safety Programs	(10,000,000)
Debt Service	(3,880,000)
All Other Program Changes	(356,000)
Fiscal Policies	
Appropriation for Contingency	(8,552,000)
Total Net County Cost Increases	**(38,371,000)**
Revenue Changes	
Public Safety Sales Tax	(194,689,000)
1991 Realignment - Sales Tax	(103,904,000)
1991 Realignment - Vehicle License Fee	(10,996,000)
Interest Earnings	(18,389,000)
Deed Transfer Tax	(14,224,000)
Fund Balance Assumptions	(25,000,000)
Departmental Revenue	(67,162,000)
Sheriff – Trial Court Security	(29,757,000)
Various Revenue Changes	(20,230,000)
Total Locally Generated Revenue	**(484,351,000)**
Total Projected Budget Gap	**(445,980,000)**
Departmental Curtailments or Reductions	386,657,000
Deferred Compensation Suspension	57,790,000
MAPP Tier I COLA Suspension	1,533,000
Total NCC Budget Gap Solutions	**445,980,000**
Total Surplus/(Deficit)	$0

`

Unavoidable Cost Increases

Salaries and Employee Benefits - Unavoidable cost increases are primarily the result of approved salaries and employee benefit increases, and expected salary and benefit increases that are subject to negotiations with the County's collective bargaining units.

Pension Costs - Reflects adjustments for the final Fiscal Year 2020-21 employer contribution retirement rates based upon the June 30, 2019 actuarial valuation of retirement benefits.

Program Changes

The Final Recommended Budget includes $14.4 million of program changes, including decreases for public safety, health and public health programs.

Fiscal Policies

The current balance of the Rainy Day Fund is $601.9 million, which is approximately 8.6% of ongoing discretionary revenues. The County is estimating that $470.8 million in Rainy Day Funds will be needed to cover the unexpected loss of revenue and additional expenditures related to COVID-19 in Fiscal Year 2019-20. As a result, the balance of the Rainy Day Fund for Fiscal Year 2020-21 is estimated to be $131.1 million. As part of the Final Recommended Budget, $22.1 million will be set aside in Appropriations for Contingencies, which reflects 10% of new ongoing discretionary revenues.

Revenue Changes

The COVID-19 pandemic has had a significant impact on the global economy. Stay-at-home orders and social distancing requirements led to non-essential businesses closures, record unemployment, and steep decline in consumer spending. As a result, the County anticipates decreases in several revenue sources that are impacted by decreased consumer spending in the local economy. The Final Recommended Budget includes projected decreases in Proposition 172 Public Safety sales tax ($194.7 million), Realignment sales tax ($103.9 million), Realignment vehicle license fee ($11.0 million), deed transfer tax ($14.2 million), and a $142.1 million reduction in departmental revenue and other revenue changes. The Final Recommended Budget also includes a projected $18.4 million decrease in interest revenue from the County Treasury Pool due to lower interest rates and an expected decrease in the average daily cash balance.

NCC Budget Gap Solutions

The Final Recommended Budget program changes and projected revenue decreases resulted in a $446 million NCC budget gap. In order to address the budget gap, the County will utilize a combination of ongoing structural changes including $386.7 million in departmental curtailments, $57.8 million from the temporary suspension of the deferred compensation contribution match for non-represented employees, and $1.5 million in the suspension of Management Appraisal and Performance Plan Tier I salaries and employee benefits increases.

Fiscal Year 2020-21 Final Recommended Budget – Other Changes

In addition to the NCC budget issues, the County is forecasting a $489.3 million revenue shortfall primarily in 2011 realignment revenues, which includes funding for various public safety, mental health and social services programs, along with reductions in Measure H sales tax collections and State budget cuts to the Department of Child Support Services.

Revenue Losses	
2011 Realignment Revenue	
AB 109	$ 85,131,000
Protective Social Services	111,614,000
Health and Mental Health	195,088,000
Measure H - Homelessness	70,884,000
Child Support Services	26,637,000
Total Revenue Losses	**$489,354,000**
Solutions	
Departmental AB 109 Curtailments	$ 52,250,000
Child Support Services Curtailments	14,637,000
Departmental Trust Accounts	351,583,000
Other Revenue and Appropriation Reductions	70,884,000
Total Solutions	**$ 489,354,000**

Assembly Bill (AB) 109 – Public Safety Realignment

The Final Recommended Budget projects an $85.1 million loss in State sales tax revenues that are used to fund AB 109 programs. To close this gap, the County plans to reduce AB 109 program costs by $52.2 million and use one-time AB 109 reserves of $32.9 million. The principal spending reductions are earmarked for the Sheriff's Department, the Probation Department along with the District Attorney and the Public Defender.

Realignment Revenues – Social, Health and Mental Health Services

The Final Recommended Budget projects a $306.7 million reduction in State realignment revenues that are used to fund critical child welfare and social services programs, along with essential services provided by the Departments of Health Services, Mental Health and Public Health. To close this gap, the County plans to use realignment revenue reserves set aside in departmental trust accounts.

Measure H – Homeless and Housing

The Final Recommended Budget reflects a $70.9 million loss in Measure H sales taxes, which are used to fund Homeless Initiative strategies. To close this gap, the County is recommending the use of additional one-time State Homeless Housing, Assistance and Prevention Program funding of $22.6 million and an appropriation reduction of $48.3 million. To address the appropriation reduction, the County plans to identify opportunities to use Federal CARES Act Supplemental Emergency Solutions Grant ("ESG") funding in collaboration with the Los Angeles Homeless Services Authority and the cities in the County, which receive ESG funding directly.

`

Child Support Services

As a result of proposed State budget actions that recommend a reduction of funding for local child support agencies to the 2018 funding levels, the Department of Child Support Services is projected to lose $26.6 million in State and Federal funding. To mitigate this funding loss, the County is proposing a budget curtailment of departmental expenditures of $14.6 million, and the use of $12.0 million of departmental reserves set aside in trust accounts.

HEALTH SERVICES BUDGET

The Department of Health Services ("DHS") provides vital inpatient acute care through four hospitals: LAC+USC Medical Center, Harbor-UCLA Medical Center, Olive View-UCLA Medical Center and Rancho Los Amigos National Rehabilitation Center. Two of the hospitals, LAC+USC Medical Center and Harbor-UCLA Medical Center, operate trauma centers and emergency rooms; Olive View-UCLA Medical Center provides emergency room services; and Rancho Los Amigos National Rehabilitation Center operates as an acute rehabilitation facility. Outpatient services are provided at all four hospitals as well as multiple other facilities, including one outpatient center, one regional health center, six comprehensive health centers, sixteen community health centers, and over 100 contracted Community Partner clinics located throughout the County. DHS also manages the emergency medical services system for the entire County. In collaboration with the University of Southern California and the University of California at Los Angeles, the County provides training for approximately 1,700 physician residents on an annual basis.
As a safety net provider, the County is the medical provider of last resort for indigent County residents. Historically, the cost of providing health services exceeds the combined total of DHS revenues, which requires annual subsidies from the County General Fund. DHS has been able to limit these subsidies by developing new revenue sources, implementing operational efficiencies, and using one-time reserve funds.

The financial condition of DHS has improved from prior years, primarily due to the implementation of the Affordable Care Act (the "ACA") in 2014, which significantly reduced the number of uninsured patients. In addition, revenues from prior and current Section 1115 Hospital Financing Waivers have provided DHS with an overall fiscal benefit. These two factors resulted in significantly reduced budgetary pressures on DHS. Furthermore, as explained below, Assembly Bill 85 ("AB 85") establishes a sum certain for the maintenance of effort ("MOE") requirement for the County's contribution to DHS, as well as providing additional revenue sources

Section 1115 Hospital Financing Waiver

On December 30, 2015, the Federal Centers for Medicaid and Medicare Services ("CMS") approved the 2015 Section 1115 Hospital Financing Waiver (the "2015 Waiver"), which features programs designed to improve care for the State's Medi-Cal and uninsured patients. The primary features of the 2015 Waiver include:

- Public Hospital Redesign and Incentives in Medi-Cal ("PRIME") is a pay-for-performance delivery system transformation and alignment program.
- Global Payment Program ("GPP") is a payment reform program for services provided to uninsured patients in California's Public Health Care system.
- Whole Person Care ("WPC") is a series of pilot programs designed to provide more integrated care to the highest-risk and most vulnerable patients.

In anticipation of the December 31, 2020 expiration of the current 1115 Waiver, the California Department of Health Care Services ("DHCS") had been developing a multi-year plan for broad delivery system, program and payment reform across the Medi-Cal program under a 1915(b) waiver. However, because of the COVID-19 pandemic, the plan has been delayed indefinitely delayed, and discussions between CMS and DHCS are currently taking place regarding an extension of the current 1115 Waiver for an additional year through December 31, 2021.

Under the current 1115 Waiver, PRIME is scheduled to expire June 30, 2020; however, it is expected that PRIME will be incorporated into Medi-Cal Managed Care under the Quality Incentive Payment ("QIP") program effective July 1, 2020. The County is projecting an increase in PRIME funding of approximately $80.0 million annually. The increase is the net result of an increase in the Federal Medicaid Assistance Percentage ("FMAP") and a decrease in DHS' allocation from the QIP distribution model.

DHS expects WPC to be included in the 1115 Waiver extension currently being discussed between DHCS and CMS, and then incorporated into Medi-Cal Managed Care effective, January 1, 2022.

Assembly Bill 85

Under AB 85, the State's funding mechanism for county health care and human services programs, which had been in place since the 1991-92 Realignment Program, was revised to account for the expected reduction in unreimbursed services for DHS patients pursuant to implementation of the ACA. AB 85 provides a mechanism for the State to redirect State health realignment funding to fund social service programs. The County negotiated its own agreement and separate funding formula with the State that is different from the other counties. The formula uses the entire DHS budget to determine if there are "excess" funds available for "redirection" of realignment revenue back to the State.

The amount of revenue redirection is reconciled to the formula two years after the close of each respective fiscal year. If there are "excess" funds determined by the funding formula, the sharing ratio for the excess amount of health care realignment revenue will be 80% State and 20% County. In general, under the formula, if the County realizes higher revenue, the amount of redirection to the State will be higher as well but cannot exceed the realignment amount received for a particular fiscal year. Conversely, if the County realizes less revenue, the amount of redirection to the State will also be less.

The final redirection amount for Fiscal Years 2013-14, 2014-15, 2015-16 and 2016-17 was $0, $365.5 million, $314.3 million and $229.9 million, respectively. The current projected redirection amounts for Fiscal Years 2017-18, 2018-19 and 2019-20 are $313.2 million, $89.8 million, and $0, respectively. The County will continue to work with the State to evaluate and update the

redirection numbers and close out each fiscal year by the scheduled due dates.

In addition, AB 85 established an MOE funding requirement for an annual County General Fund contribution based on Fiscal Year 2012-13 funding levels, with increases to the MOE of one percent each subsequent fiscal year. The initial MOE funding requirement for Fiscal Year 2013-14 was $323.0 million. The MOE funding requirement for Fiscal Year 2019-20 is $346.3 million. The MOE provides a stable and ongoing source of funding for DHS from the County General Fund.

General Fund Contributions

The Fiscal Year 2019-20 NCC contribution to DHS is $1.020 billion, as shown in the chart below. The NCC contribution to DHS is comprised of multiple components, including the AB 85 MOE, other General Fund resources for specific programs, VLF Realignment Revenue, and Tobacco Settlement Revenue. The additional funding from the County General Fund for DHS programs related to correctional health services and other programs represents a strategic initiative by the Board of Supervisors to transfer specific services previously provided by other County departments to DHS, and is not related to cost increases as the result of budgetary pressures from DHS' operations.

DHS NCC Contribution
FY 2019-20 Final Adopted Budget
($ in millions)

	Amount
County General Fund - AB 85 MOE	$ 346.3
County General Fund - Correctional Health (A)	319.1
County General Fund - Specific Programs (B)	36.6
Vehicle License Fees Realignment	281.8
Tobacco Settlement Revenue	59.7
Transfers to Other Budget Units (C)	(23.1)
Total	$ 1,020.4

(A) Reflects the transfer of Correctional Health Services from the Sheriff and the Department of Mental Health to DHS, which was finalized in May 2017.

(B) Includes funding for Board initiatives, such as homeless services and health care for Probation youth.

(C) Includes the transfer for the In-Home Supportive Services Provider Health Care Plan.

General Fund Advances and Cash Flow

The County maintains separate Enterprise Funds to account for hospital services in various regions of the County, commonly referred to as the Hospital Funds. The County's General Fund provides cash advances to each of the Hospital Funds to provide for the net cash flow requirements of County hospitals. On a daily basis, the County reviews the cash inflows and outflows of the Hospital Funds and adjusts the amount of advances in order to provide the Hospital Funds with a minimal daily cash position of approximately $10.0 million.

The Federal and State governments are the primary sources of revenue for the Hospital Funds. As of May 31, 2020, the balance of General Fund cash advances to the Hospital Funds was $202.8 million. The County is currently estimating the June 30, 2020 balance of General Fund cash advances to the Hospital Funds to be $215.1 million, which would be a decrease of $323.5 million from the June 30, 2019 balance of $538.6 million.

The higher balance of cash advances to the Hospital Funds in the previous fiscal years was largely caused by a two-year delay in receiving CMS approval of methodologies related to two new funding programs. The prior revenue programs were on a one-year delay cycle and those programs expired on June 30, 2017. The new programs, the QIP and the EPP, were approved by CMS for Fiscal Year 2017-18. The net revenues of QIP and EPP for Fiscal Year 2017-18 are $125.6 million and $529.2 million, respectively, which were received in October 2019. For Fiscal Year 2018-19, the estimated net revenues of QIP and EPP are $122.1 million and $551.8 million, respectively, with the payments expected to be received by no later than October 2020. Currently, DHS is working with the State to expedite payments for Program Year 2019-20 and payments going forward within 12 months after year-end in order to improve cash flow and eliminate the need to establishing long-term receivables.

In addition to the funding sources described above, the County's General Fund also provides cash advances to the Hospital Funds for certain long-term receivables that are owed by the State to the hospitals. The receivables are associated with the Cost Based Reimbursement Clinics ("CBRC") program. Although the CBRC receivables are reliable assets, the collection process is contingent upon annual audits by the State. As of June 30, 2019, the total estimated receivable balance is $77.0 million. The County has recognized an equivalent reserve against the fund balance associated with the CBRC receivable since it is not currently available to fund the County's budgetary requirements. The CBRC receivable balance for Fiscal Year 2019-20 will be determined during the fiscal year-end closing process.

DHS Reserve Funds

In Fiscal Year 2018-19, DHS closed the year with a Fund Balance of $1.124 billion and is expected to close Fiscal Year 2019-20 with a Fund Balance of approximately $1.131 billion. Of this amount, approximately $268 million with respect to the EPP and CBRC payments for Fiscal Years 2018-19 and 2019-20, will be established as a long-term receivable during the Fiscal Year 2019-20 year-end closing process, and reserved in a separate account until the payments are collected. The remaining estimated Fund Balance of $863 million is available to fund future DHS operations and balance its budget in the future, as needed.

Managed Care

The EPP and QIP Programs were designed in collaboration with DHCS to replace other revenue programs that expired June 30, 2017. The QIP program provides value-based payments for the achievement of clinically-established quality measures for Medi-Cal managed care enrollees. The EPP establishes a pool to supplement the base rates received by public hospitals through their Medi-Cal managed care contracts.

Although DHS estimates the net revenue for EPP to be approximately $590.9 million for Fiscal Year 2019-20, the methodology for drawing down the EPP funds is still pending CMS approval. CMS has also approved four years of QIP with an annual COLA, and a State option to revisit the program in two

years. The net revenue for QIP is estimated to be approximately $114.7 million for Fiscal Year 2019-20. However, the methodology for determining how the funds will be allocated among the State's public hospitals has not been approved by CMS. With final approval by CMS still pending, the estimated revenues for the EPP and QIP Programs could change materially.

The CMS recently approved additional payments for public hospitals related to Graduate Medical Education (GME) and Indirect Medical Education (IME) for Medi-Cal managed care beneficiaries, which cover Medi-Cal's share of the salaries and benefits of interns and residents receiving training at public hospitals, as well as certain indirect costs associated with their training. The estimated annual net revenue for the GME and IME payments combined is $63.9 million, with an effective date of January 2017.

Tobacco Settlement Revenue

In November 1998, the attorneys general of 46 states (including the State of California) and other territories reached agreement with the then four largest United States tobacco manufacturers to settle more than forty pending lawsuits brought by these public entities. The Master Settlement Agreement (the "MSA") requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated $206 billion through 2025. California will receive 12.76%, or approximately $25.0 billion of the total settlement. In accordance with the terms of the MSA, the annual Tobacco Settlement Revenues ("TSRs") are subject to numerous adjustments, offsets and recalculation. While the County's share of the State settlement was initially expected to average approximately $100 million per year, the actual amount of TSRs received by the County has fluctuated significantly from year to year. Factors that impact the annual payments to the State include actions of the Federal government, overall declines in smoking participation rates, reduction in cigarette sales and declining market share among the participating manufacturers in the MSA, lawsuits, tobacco company bankruptcies, and various adjustments under the terms of the MSA.

In February 2006, the County issued $319.8 million in tax-exempt Tobacco Settlement Asset-Backed Bonds (the "2006 Tobacco Bonds"). The Tobacco Bonds are secured and payable from 25.9% of the County's TSRs beginning in 2011, which represented the initial year for the payment of debt service on the Tobacco Bonds. The proceeds from the sale of the Tobacco Bonds were used to finance a portion of the construction costs related to the LAC+USC Medical Center, as well as to partially insure against the risk of a significant reduction of the County's ongoing TSRs as a result of the various factors described above. The use of this fixed percentage of TSRs as security for the repayment of the Tobacco Bonds is not expected to materially impact the DHS programs that rely on such revenues for funding. On June 10, 2020, the County issued $349.6 of 2020 Tobacco Settlement Bonds to fully refund the 2006 Tobacco Bonds. The transaction, which is described in further detail in the Debt Summary Section of Appendix A, resulted in significant interest cost savings to the County and mitigated the risk of future default that existed with the 2006 Tobacco Bonds.

To date there have been multiple legal challenges to the MSA under a variety of claims, including claims on anti-trust and Commerce Clause grounds. None of these lawsuits has been successful or resulted in the termination of the original agreement. However, previous actions by certain participating manufacturers have reduced the settlement funding received by the State and may adversely impact future payments. Given the terms of the MSA, the fiscal impact to the County of future protests and payment adjustments to the MSA cannot be predicted at this time.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement funds to any specific purpose. Proceeds received by the County from the settlement have been deposited in the County's General Fund and unused amounts have been set aside as obligated fund balance Committed for Health Services-Tobacco Settlement. In Fiscal Year 2019-20, the County received $71.6 million in TSRs from the participating manufacturers. The distribution of TSRs to the County are net of the 25.9% of TSRs pledged for the repayment of the Tobacco Bonds, which have been deposited with a trustee for the payment of debt service on the Tobacco Bonds.

BUDGET TABLES

The Final Recommended Budget is supported by $6.371 billion in property tax revenue, $4.585 billion in Federal funding, $6.738 billion in State funding, $304 million in cancelled obligated fund balance, $1.582 billion in Fund Balance and $7.364 billion from other funding sources.

The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2019-20 FInal Adopted Budget with the 2020-21 Final Recommended Budget. It is not possible to predict whether the trends shown in the tables will continue in the future.

County of Los Angeles: General County Budget
Historical Appropriations by Fund
(in thousands)

Fund	Final 2016-17	Final 2017-18	Final 2018-19	Final 2019-20	Recommended 2020-21	Final Recommended 2020-21
General Fund	$ 19,589,641	$ 20,856,959	$ 22,476,283	$ 23,925,116	$ 23,581,133	$ 23,038,153
Hospital Enterprise Fund	3,401,444	3,466,796	3,222,338	3,999,868	3,898,293	3,905,645
Total General County Budget	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 27,924,984**	**$ 27,479,426**	**$ 26,943,798**

County of Los Angeles: General County Budget
Historical Funding Requirements and Revenue Sources

	Final 2016-17	Final 2017-18	Final 2018-19	Final 2019-20	Recommended 2020-21	Final Recommended 2020-21
Requirements						
Social Services	$ 6,859,438	$ 7,200,237	$ 7,308,903	$ 7,752,983	$ 7,837,438	$ 7,765,698
Health	7,135,235	8,040,428	8,790,802	9,877,992	9,917,354	9,846,821
Justice	5,973,130	5,823,573	6,019,196	6,234,098	6,389,096	6,019,965
Other	3,023,282	3,259,517	3,579,720	4,059,911	3,335,538	3,311,314
Total	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 27,924,984**	**$ 27,479,426**	**$ 26,943,798**
Revenue Sources						
Property Taxes	$ 5,031,658	$ 5,331,727	$ 5,676,729	$ 6,043,773	$ 6,371,071	$ 6,371,071
State Assistance	5,965,914	6,290,778	6,545,048	6,937,808	7,145,738	6,737,873
Federal Assistance	4,499,196	4,931,647	4,977,992	4,996,732	4,574,410	4,584,857
Other	7,494,317	7,769,603	8,498,852	9,946,671	9,388,207	9,249,997
Total	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 27,924,984**	**$ 27,479,426**	**$ 26,943,798**

County of Los Angeles: General County Budget
Historical Summary of Funding Requirements by Budgetary Object and Available Financing
(in thousands)

	Final 2016-17	Final 2017-18	Final 2018-19	Final 2019-20	Recommended 2020-21	Final Recommended 2020-21
Financing Requirements						
Salaries & Employee Benefits	$ 11,537,805	$ 12,254,330	$ 12,983,488	$ 13,871,307	$ 14,483,896	$ 14,035,591
Services & Supplies	8,148,441	8,511,618	9,346,135	9,929,569	9,201,426	9,073,349
Other Charges	4,252,725	4,483,734	4,746,295	5,800,116	5,683,886	5,713,646
Capital Assets	868,341	951,628	1,160,603	1,198,684	1,155,972	1,136,777
Other Financing Uses	509,535	723,265	734,824	1,003,163	1,165,885	1,143,929
Appropriations for Contingencies	27,375	29,754	38,067	37,775	30,665	22,113
Interbudget Transfers[1]	(1,370,514)	(1,678,129)	(1,918,739)	(2,433,320)	(2,589,261)	(2,563,256)
Gross Appropriation	$ 23,973,708	$ 25,276,200	$ 27,090,673	$ 29,407,294	$ 29,132,469	$ 28,562,149
Less: Intrafund Transfers	1,063,876	1,259,379	1,588,349	1,697,201	1,717,925	1,686,633
Net Appropriation	$ 22,909,832	$ 24,016,821	$ 25,502,324	$ 27,710,093	$ 27,414,544	$ 26,875,516
Provision for Obligated Fund Balance						
General Reserve	$ -	$ -	$ -	$ -	$ -	$ -
Other	-	16,093	-	-	-	1,700
Assigned for Rainy Day Funds	27,882	39,000	46,810	39,000	-	-
Committed Fund Balance	53,371	251,841	149,487	175,891	64,882	66,582
Total Financing Requirements	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 27,924,984**	**$ 27,479,426**	**$ 26,943,798**
Available Financing						
Fund Balance	$ 1,824,822	$ 1,982,626	$ 1,929,332	$ 2,089,840	$ 1,622,799	$ 1,581,837
Cancel Provision for Obligated Fund Balance	216,915	348,499	279,525	614,950	265,236	303,649
Property Taxes: Regular Roll	4,971,696	5,271,414	5,615,854	5,989,000	6,316,080	6,316,080
Supplemental Roll	59,962	60,313	60,875	54,773	54,991	54,991
Revenue	15,917,690	16,660,903	17,813,035	19,176,421	19,220,320	18,687,241
Total Available Financing	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 27,924,984**	**$ 27,479,426**	**$ 26,943,798**

[1] This amount includes certain non-program expenditures and revenues that are included in the budget for accounting purposes. Failure to exclude such amounts, totaling $2.6 billion in 2020-21, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to

Source: Chief Executive Office

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2019-20 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 1,566,733.0	$ -	$ 1,566,733.0
General Services	1,087,357.0	-	1,087,357.0
Public Buildings	1,131,472.0	-	1,131,472.0
Total General	$ 3,785,562.0	$ -	$ 3,785,562.0
Public Protection			
Justice	$ 5,749,537.0	$ -	$ 5,749,537.0
Other Public Protection	214,803.0	-	214,803.0
Total Public Protection	$ 5,964,340.0	$ -	$ 5,964,340.0
Health and Sanitation	$ 5,842,546.0	$ 3,999,868.0	$ 9,842,414.0
Public Assistance	7,547,806.0	-	7,547,806.0
Recreation and Cultural Services	413,550.0	-	413,550.0
Education	51,286.0	-	51,286.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	214,891.0	-	214,891.0
Appropriation for Contingency	37,775.0	-	37,775.0
Total Requirements	**$ 23,925,116.0**	**$ 3,999,868.0**	**$ 27,924,984.0**
AVAILABLE FUNDS			
Property Taxes	$ 6,043,773.0	$ -	$ 6,043,773.0
Fund Balance	2,089,840.0	-	2,089,840.0
Cancel Provision for Obligated Fund Balance	423,064.0	191,886.0	614,950.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 415,927.0	$ -	$ 415,927.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	964,417.0	-	964,417.0
Other Public Assistance	2,436,755.0	-	2,436,755.0
Public Protection	1,424,476.0	-	1,424,476.0
Health and Mental Health	1,331,472.0	46,955.0	1,378,427.0
Capital Projects	148,088.0	-	148,088.0
Other State Revenues	150,718.0	-	150,718.0
Total State Revenues	6,890,853.0	46,955.0	6,937,808.0
Federal Revenues			
Public Assistance Subventions	$ 2,848,974.0	$ -	$ 2,848,974.0
Other Public Assistance	212,135.0	-	212,135.0
Public Protection	61,026.0	-	61,026.0
Health and Mental Health	1,561,481.0	275,130.0	1,836,611.0
Capital Projects	-	-	-
Other Federal Revenues	37,986.0	-	37,986.0
Total Federal Revenues	$ 4,721,602.0	$ 275,130.0	$ 4,996,732.0
Other Governmental Agencies	75,763.0	-	75,763.0
Total Intergovenmental Revenues	$ 11,688,218.0	$ 322,085.0	$ 12,010,303.0
Fines, Forfeitures and Penalties	173,523.0	-	173,523.0
Licenses, Permits and Franchises	59,367.0	126.0	59,493.0
Charges for Services	2,907,101.0	2,365,468.0	5,272,569.0
Other Taxes	217,221.0	-	217,221.0
Use of Money and Property	236,552.0	768.0	237,320.0
Miscellaneous Revenues	86,457.0	423,208.0	509,665.0
Operating Contribution from General Fund	-	696,327.0	696,327.0
Total Available Funds	**$ 23,925,116.0**	**$ 3,999,868.0**	**$ 27,924,984.0**

(1) Reflects the 2019-20 Final Adopted General County Budget approved by the Board of Supervisors on October 1, 2019

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF 2020-21 RECOMMENDED BUDGET TO 2020-21 FINAL RECOMMENDED BUDGET
Net Appropriation: By Function
(In thousands)

Function	2020-21 Recommended (1)	2020-21 Final Recommended (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 1,174,972.0	$ 1,235,426.0	$ 60,454.0	5.15%
General Services	876,734.0	816,969.0	(59,765.0)	-6.82%
Public Buildings	1,060,421.0	1,039,863.0	(20,558.0)	-1.94%
Total General	$ 3,112,127.0	$ 3,092,258.0	$ (19,869.0)	-0.64%
Public Protection				
Justice	$ 5,903,506.0	$ 5,569,392.0	$ (334,114.0)	-5.66%
Other Public Protection	208,437.0	199,031.0	(9,406.0)	-4.51%
Total Public Protection	$ 6,111,943.0	$ 5,768,423.0	$ (343,520.0)	-5.62%
Health and Sanitation	9,868,055.0	9,800,552.0	(67,503.0)	-0.68%
Public Assistance	7,790,543.0	7,721,858.0	(68,685.0)	-0.88%
Recreation and Cultural Services	391,775.0	363,177.0	(28,598.0)	-7.30%
Education	42,076.0	39,775.0	(2,301.0)	-5.47%
Insurance and Loss Reserve	67,360.0	67,360.0	-	0.00%
Provision for Obligated Fund Balance	64,882.0	68,282.0	3,400.0	5.24%
Appropriations for Contingencies	30,665.0	22,113.0	(8,552.0)	-27.89%
Total Requirements	**$ 27,479,426.0**	**$ 26,943,798.0**	**$ (535,628.0)**	**-1.95%**
AVAILABLE FUNDS				
Property Taxes	$ 6,371,071.0	$ 6,371,071.0	$ -	0.00%
Fund Balance	1,622,799.0	1,581,837.0	(40,962.0)	-2.52%
Cancelled Prior-Year Reserves	265,236.0	303,649.0	38,413.0	14.48%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 433,854.0	$ 364,941.0	$ (68,913.0)	-15.88%
Homeowners' Exemption	19,000.0	19,000.0	-	0.00%
Public Assistance Subventions	1,041,539.0	1,057,309.0	15,770.0	1.51%
Other Public Assistance	2,533,461.0	2,424,652.0	(108,809.0)	-4.29%
Public Protection	1,414,000.0	1,212,755.0	(201,245.0)	-14.23%
Health and Mental Health	1,483,103.0	1,435,665.0	(47,438.0)	-3.20%
Capital Projects	189,223.0	190,223.0	1,000.0	0.53%
Other State Revenues	31,558.0	33,328.0	1,770.0	5.61%
Total State Revenues	$ 7,145,738.0	$ 6,737,873.0	$ (407,865.0)	-5.71%
Federal Revenues				
Public Assistance Subventions	$ 2,787,667.0	$ 2,746,254.0	$ (41,413.0)	-1.49%
Other Public Assistance	218,588.0	206,107.0	(12,481.0)	-5.71%
Public Protection	75,854.0	74,516.0	(1,338.0)	-1.76%
Health and Mental Health	1,464,460.0	1,504,283.0	39,823.0	2.72%
Capital Projects	-	-	-	0.00%
Other Federal Revenues	27,841.0	53,697.0	25,856.0	92.87%
Total Federal Revenues	$ 4,574,410.0	$ 4,584,857.0	$ 10,447.0	0.23%
Other Governmental Agencies	60,525.0	65,034.0	4,509.0	7.45%
Total Intergovenmental Revenues	$ 11,780,673.0	$ 11,387,764.0	$ (392,909.0)	-3.34%
Fines, Forfeitures and Penalties	173,794.0	148,290.0	(25,504.0)	-14.67%
Licenses, Permits and Franchises	60,431.0	57,549.0	(2,882.0)	-4.77%
Charges for Services	5,360,771.0	5,344,813.0	(15,958.0)	-0.30%
Other Taxes	215,682.0	185,235.0	(30,447.0)	-14.12%
Use of Money and Property	228,269.0	183,969.0	(44,300.0)	-19.41%
Miscellaneous Revenues	543,267.0	538,274.0	(4,993.0)	-0.92%
Operating Contribution from General Fund	857,433.0	841,347.0	(16,086.0)	-1.88%
Total Available Funds	**$ 27,479,426.0**	**$ 26,943,798.0**	**$ (535,628.0)**	**-1.95%**

(1) Reflects the 2020-21 Recommedned General County Budget approved by the Board of Supervisors on April 28, 2020
(2) Reflects the 2020-21 Final Recommended General County Budget approved by the Board of Supervisors on June 29, 2020

COUNTY OF LOS ANGELES
RECOMMENDED BUDGET 2020-21 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 1,174,972.0	$ -	$ 1,174,972.0
General Services	876,734.0	-	876,734.0
Public Buildings	1,060,421.0	-	1,060,421.0
Total General	$ 3,112,127.0	$ -	$ 3,112,127.0
Public Protection			
Justice	$ 5,903,506.0	$ -	$ 5,903,506.0
Other Public Protection	208,437.0	-	208,437.0
Total Public Protection	$ 6,111,943.0	$ -	$ 6,111,943.0
Health and Sanitation	$ 5,969,762.0	$ 3,898,293.0	$ 9,868,055.0
Public Assistance	7,790,543.0	-	7,790,543.0
Recreation and Cultural Services	391,775.0	-	391,775.0
Education	42,076.0	-	42,076.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	64,882.0	-	64,882.0
Appropriation for Contingency	30,665.0	-	30,665.0
Total Requirements	**$ 23,581,133.0**	**$ 3,898,293.0**	**$ 27,479,426.0**
AVAILABLE FUNDS			
Property Taxes	$ 6,371,071.0	$ -	$ 6,371,071.0
Fund Balance	1,622,799.0	-	1,622,799.0
Cancel Provision for Obligated Fund Balance	46,159.0	219,077.0	265,236.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 433,854.0	$ -	$ 433,854.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	1,041,539.0	-	1,041,539.0
Other Public Assistance	2,533,461.0	-	2,533,461.0
Public Protection	1,414,000.0	-	1,414,000.0
Health and Mental Health	1,435,453.0	47,650.0	1,483,103.0
Capital Projects	189,223.0	-	189,223.0
Other State Revenues	31,558.0	-	31,558.0
Total State Revenues	7,098,088.0	47,650.0	7,145,738.0
Federal Revenues			
Public Assistance Subventions	$ 2,787,667.0	$ -	$ 2,787,667.0
Other Public Assistance	218,588.0	-	218,588.0
Public Protection	75,854.0	-	75,854.0
Health and Mental Health	1,463,537.0	923.0	1,464,460.0
Capital Projects	-	-	-
Other Federal Revenues	27,841.0	-	27,841.0
Total Federal Revenues	$ 4,573,487.0	$ 923.0	$ 4,574,410.0
Other Governmental Agencies	60,525.0	-	60,525.0
Total Intergovenmental Revenues	$ 11,732,100.0	$ 48,573.0	$ 11,780,673.0
Fines, Forfeitures and Penalties	173,794.0	-	173,794.0
Licenses, Permits and Franchises	60,305.0	126.0	60,431.0
Charges for Services	3,039,922.0	2,320,849.0	5,360,771.0
Other Taxes	215,682.0	-	215,682.0
Use of Money and Property	227,501.0	768.0	228,269.0
Miscellaneous Revenues	91,800.0	451,467.0	543,267.0
Operating Contribution from General Fund	-	857,433.0	857,433.0
Total Available Funds	**$ 23,581,133.0**	**$ 3,898,293.0**	**$ 27,479,426.0**

(1) Reflects the 2020-21 Recommedned General County Budget approved by the Board of Supervisors on April 28, 2020

COUNTY OF LOS ANGELES
FINAL RECOMMENDED BUDGET 2020-21 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 1,235,426.0	$ -	$ 1,235,426.0
General Services	816,969.0	-	816,969.0
Public Buildings	1,039,863.0	-	1,039,863.0
Total General	$ 3,092,258.0	$ -	$ 3,092,258.0
Public Protection			
Justice	$ 5,569,392.0	$ -	$ 5,569,392.0
Other Public Protection	199,031.0	-	199,031.0
Total Public Protection	$ 5,768,423.0	$ -	$ 5,768,423.0
Health and Sanitation	$ 5,894,907.0	$ 3,905,645.0	$ 9,800,552.0
Public Assistance	7,721,858.0	-	7,721,858.0
Recreation and Cultural Services	363,177.0	-	363,177.0
Education	39,775.0	-	39,775.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	68,282.0	-	68,282.0
Appropriation for Contingency	22,113.0	-	22,113.0
Total Requirements	**$ 23,038,153.0**	**$ 3,905,645.0**	**$ 26,943,798.0**
AVAILABLE FUNDS			
Property Taxes	$ 6,371,071.0	$ -	$ 6,371,071.0
Fund Balance	1,581,837.0	-	1,581,837.0
Cancel Provision for Obligated Fund Balance	84,572.0	219,077.0	303,649.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 364,941.0	$ -	$ 364,941.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	1,057,309.0	-	1,057,309.0
Other Public Assistance	2,424,652.0	-	2,424,652.0
Public Protection	1,212,755.0	-	1,212,755.0
Health and Mental Health	1,396,519.0	39,146.0	1,435,665.0
Capital Projects	190,223.0	-	190,223.0
Other State Revenues	33,328.0	-	33,328.0
Total State Revenues	6,698,727.0	39,146.0	6,737,873.0
Federal Revenues			
Public Assistance Subventions	$ 2,746,254.0	$ -	$ 2,746,254.0
Other Public Assistance	206,107.0	-	206,107.0
Public Protection	74,516.0	-	74,516.0
Health and Mental Health	1,503,360.0	923.0	1,504,283.0
Capital Projects	-	-	-
Other Federal Revenues	53,697.0	-	53,697.0
Total Federal Revenues	$ 4,583,934.0	$ 923.0	$ 4,584,857.0
Other Governmental Agencies	65,034.0	-	65,034.0
Total Intergovenmental Revenues	$ 11,347,695.0	$ 40,069.0	$ 11,387,764.0
Fines, Forfeitures and Penalties	148,290.0	-	148,290.0
Licenses, Permits and Franchises	57,423.0	126.0	57,549.0
Charges for Services	2,992,022.0	2,352,791.0	5,344,813.0
Other Taxes	185,235.0	-	185,235.0
Use of Money and Property	183,201.0	768.0	183,969.0
Miscellaneous Revenues	86,807.0	451,467.0	538,274.0
Operating Contribution from General Fund	-	841,347.0	841,347.0
Total Available Funds	**$ 23,038,153.0**	**$ 3,905,645.0**	**$ 26,943,798.0**

(1) Reflects the 2020-21 Final Recommended General County Budget approved by the Board of Supervisors on June 29, 2020

FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

Taxes are levied each fiscal year on taxable real and personal property located in the County as of the preceding January 1st. Upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured", and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax areas where the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

PAYMENT DATES AND LIENS

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, with a ten percent penalty assessed to any delinquent payments. Any property on the secured roll with delinquent taxes as of July 1 is declared tax defaulted. Such property taxes may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer and Tax Collector.

Property taxes on the unsecured roll are due as of the January 1st lien date and become delinquent, if unpaid, by August 31st. A ten percent penalty attaches to delinquent property taxes on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1st. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

Property owners who were unable to pay their property taxes by the April 10, 2020 deadline due to the COVID-19 pandemic may apply to have their late payment penalties cancelled. The California Revenue and Taxation Code (R&TC) grants the Treasurer and Tax Collector the authority to cancel payment penalties in limited circumstances.

Beginning April 11, 2020, Treasurer and Tax Collector began accepting requests for a property tax penalty cancellation related to COVID-19. To apply for this penalty cancellation, property owners must complete and submit a penalty cancellation request with a brief statement of how the public health emergency impacted their ability to make a timely property tax payment.

LARGEST TAXPAYERS

The twenty largest taxpayers in the County included on the Fiscal Year 2019-20 secured property tax roll, and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by the twenty largest taxpayers had a full cash value of $47,713,583,625, which constitutes only 3.08% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2019-20
SOUTHERN CALIFORNIA EDISON CO	$ 113,256,955
DOUGLAS EMMETT RESIDENTIAL	47,555,833
MAGUIRE PROPERTIES	45,357,462
SOUTHERN CALIFORNIA GAS COMPANY	36,723,202
TISHMAN SPEYER / ARCHSTONE SMITH / ASN	34,197,131
CHEVRON USA INC	32,719,334
EQR / ERP LIMITED	32,133,445
PINCAY RE LLC LESSOR	30,827,943
UNIVERSAL STUDIOS LLC	28,138,124
TESORO REFINING AND MARKETING CO	27,114,092
PROLOGIS / AMB	25,033,881
ESSEX PORTFOLIO LP	17,883,904
PHILLIPS 66 COMPANY	16,924,407
TORRANCE LOGISTICS COMPANY LLC	16,902,594
DE PARK AVENUE	16,191,762
REXFORD INDUSTRIAL	15,075,934
AT&T / PACIFIC BELL TELEPHONE CO	13,353,861
CENTURY CITY MALL LLC	12,581,400
KAISER FOUNDATION HOSPITALS	11,794,900
WESTFIELD TOPANGA OWNERS LP	11,454,161
	$ 585,220,325

Total may not add due to rounding.
Source: Los Angeles County Treasurer and Tax Collector

PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the full cash values, property tax levies and collections from Fiscal Years 2015-16 through 2019-20.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2015-16 THROUGH 2019-20

Fiscal Year	Full Cash Value [1]	General Fund Secured Property Tax Levies	General Fund Secured Property Tax Collections [2]	Current Collection As a Percent of Levies %
2015-16	$ 1,218,549,285,645	$ 2,951,863,733	$ 2,919,629,056	98.91%
2016-17	1,287,688,313,197	3,134,636,611	3,097,916,528	98.83%
2017-18	1,366,276,412,160	3,316,064,682	3,277,406,885	98.83%
2018-19	1,456,853,755,643	3,524,838,020	3,476,693,412	98.63%
2019-20	1,549,271,724,044	3,748,499,721	3,697,300,190 [3]	98.63% [3]

(1) Full cash values reflect the equalized assessment roll as reported in August of each year; mid-year adjustments are reflected in the following year's values. Incremental full cash values of properties within project areas designated by successor redevelopment agencies are excluded. See "Successor Redevelopment Agencies".
(2) Reflects collection within the fiscal year originally levied.
(3) Preliminary estimate based on Fiscal Year 2018-19 collections.

SUCCESSOR REDEVELOPMENT AGENCIES

Pursuant to ABX1 26 (the "Redevelopment Dissolution Act"), all redevelopment agencies were dissolved effective February 1, 2012. ABX1 26 prohibited redevelopment agencies from engaging in new business, provided for their eventual wind down and dissolution, and required that successor agencies be created to take over from the former agencies. Any tax increment remaining after the payment of enforceable legal obligations, pass-through payments and limited administrative costs will be distributed as property tax revenue to the appropriate taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County was approximately $453.0 million. A more detailed discussion of the redevelopment agency dissolution is provided in the Budgetary Information section of this Appendix A.

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for Fiscal Years 2015-16 through 2019-20.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2015-16 THROUGH 2019-20

Fiscal Year	Full Cash Value Increments [1]	Total Tax Allocations [2]
2015-16	171,855,943,160	1,519,643,764
2016-17	184,568,536,419	1,539,743,198
2017-18	197,952,598,205	1,716,496,079
2018-19	214,839,204,602	1,856,196,192
2019-20	220,959,568,982	1,958,849,099

(1) Equals the full cash value for all redevelopment project areas above their base year valuations. This data represents growth in full cash values which generates tax revenues for use by former community redevelopment agencies and their successor agencies created under ABX1 26.
(2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid-year changes and Supplemental Roll.

CASH MANAGEMENT PROGRAM

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts from the two largest sources of County revenue follow an uneven pattern, primarily as a result of unpredictable delays in payments from other governmental agencies and the significant amount of secured property tax revenue received close to the December and April due dates for the first and second installments, respectively.

As a result of the uneven pattern of revenue receipts, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered in part by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. Because such borrowings caused disruptions in the General Fund's management of pooled investments, beginning in 1977, the County eliminated the practice of interfund borrowing and replaced it with a program to manage its cash flow needs by issuing tax and revenue anticipation notes (TRANs) for the General Fund and by using intrafund borrowing.

The use of "intrafund borrowing" for General Fund purposes represents borrowing against funds that are held in trust by the County. Such funds, with the exception of the Hospital Enterprise Funds, are held by the County on a pre-apportionment basis until they are eventually distributed to County operating funds (such as the General Fund) or other governmental agencies. All intrafund borrowings used for General Fund purposes, and all notes issued in connection with the County's cash management program have been repaid in accordance with their required maturity dates.

2019-20 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 14, 2019, the County issued the 2019-20 TRANs with an aggregate principal amount of $700,000,000 due on June 30, 2020. The 2019-20 TRANs are general obligations of the County attributable to Fiscal Year 2019-20 and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

Under the Resolution and Financing Certificate executed by the Treasurer and Tax Collector, the County pledged to deposit sufficient revenues into a Repayment Fund during Fiscal Year 2019-20 for the purpose of repaying the 2019-20 TRANs on the June 30, 2020 maturity date. The deposits to the Repayment Fund have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2019-20 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date	Deposit Amount
December, 2019	$315,000,000
January, 2020	315,000,000
April, 2020	104,902,778
Total	$734,902,778

* Includes $700,000,000 of 2019-20 TRANs principal and 5.00% interest.

The County has always maintained full compliance with its deposit obligations with respect to its TRANs program. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis from Fiscal Year 2015-16 to Fiscal Year 2019-20.

COUNTY OF LOS ANGELES
GENERAL FUND
UNRESTRICTED GENERAL FUND RECEIPTS (in thousands)

	2015-16	2016-17	2017-18	2018-19	Estimated 2019-20
Property Taxes	$ 4,806,915	$ 5,077,037	$ 5,391,435	$ 5,863,749	$ 6,127,852
Other Taxes	215,228	225,297	224,051	237,801	196,374
Licenses, Permits and Franchises	58,908	60,487	62,683	63,675	54,782
Fines, Forfeitures and Penalties	182,298	178,105	178,502	182,212	178,356
Investment and Rental Income	165,037	178,804	232,312	279,386	245,513
State In-Lieu Taxes	356,888	303,768	205,293	174,428	311,982
State Homeowner Exemptions	19,892	19,673	19,312	18,797	18,244
Charges for Current Services	1,597,095	1,792,303	1,801,784	1,937,848	2,235,998
Other Revenue*	685,637	746,748	620,557	1,057,288	1,040,881
TOTAL UNRESTRICTED RECEIPTS	$ 8,087,898	$ 8,582,222	$ 8,735,929	$ 9,815,184	$ 10,409,982

Detail may not add due to rounding.
Source: Los Angeles County Chief Executive Office
* Includes Tobacco Settlement Revenue

Intrafund and Interfund Borrowing

To the extent necessary, the County intends to use intrafund (and not interfund) borrowing to cover its General Fund cash needs, including projected year-end cash requirements. If the County determines that it is necessary to utilize interfund borrowing, then such borrowing may not occur after the last Monday in April of each fiscal year and must be repaid before any other obligation of the County. The County does not intend to engage in interfund borrowing for the General Fund.

Funds Available for Intrafund Borrowing

After the tax and revenue anticipation note proceeds are utilized, the General Fund may borrow from three fund groups to meet its cash flow needs. The most significant group is the Property Tax Group, which consists of collected property taxes that are awaiting apportionment. The great majority of these amounts will be distributed to other governmental agencies such as school districts.

The second most significant borrowing source includes the various Trust Group funds. The largest of these funds is the Departmental Trust Fund, which consists of various collections, such as court fines and other revenues, awaiting distribution. The majority of these funds will eventually be distributed to entities outside the County. Also included in this group is the Payroll Revolving Fund, which is used as a clearing account for County payroll operations and has a cash balance that consists exclusively (except for a small portion related to the County Superior Court) of advances from funds included in the General County Budget.

The last fund group consists of the Hospital Enterprise Funds. The balances in these funds are different from those in the Property Tax Group and Trust Group in that the Hospital Enterprise Funds are included in the General County Budget. Furthermore, these funds are considered as part of the General Fund for purposes of sizing the County's annual TRANs financing.

The Hospital Enterprise Funds generally represent working capital advances from the General Fund and cash generated from the County hospitals. At year-end, the remaining balances are transferred back to the General Fund.

The average daily balances shown for these intrafund sources are not necessarily indicative of the balances on any given day. The balances in certain funds, such as those in the Property Tax Group, can fluctuate significantly throughout the month. The General Fund cash balance also fluctuates during the month, with the third week being the lowest and month-end the highest due to the timing of revenue deposits from the State and the receipt of welfare advances on the last business day of the month.

The legality of the County's practice of intrafund borrowing was decided and affirmed by the California Court of Appeals in May 1999, in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County of Los Angeles et al*.

The tables at the end of this Financial Summary Section provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2018-19 and Fiscal Year 2019-20.

General Fund Cash Flow Statements

The Fiscal Year 2018-19 and Fiscal Year 2019-20 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2018-19, the County had an ending General Fund cash balance of $1.952 billion. In Fiscal Year 2019-20, the County is estimating an ending General Fund cash balance of $889 million.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector has delegated authority to invest funds on deposit in the County Treasury Pool (the "Treasury Pool"). As of April 30, 2020, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency		Invested Funds (in Billions)
County of Los Angeles and Special Districts	$	17.646
Schools and Community Colleges		17.453
Independent Public Agencies		3.228
Total	$	38.327

Of these entities, the discretionary participants accounted for 8.43% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 31, 2020, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated May 29, 2020, the book value of the Treasury Pool as of April 30, 2020 was approximately $38.327 billion and the corresponding market value was approximately $38.442 billion.

The County maintains a strong system of internal controls for monitoring the cash accounting and investment process. The Treasurer's Internal Controls Branch (ICB) operates independently from the Investment Office, and reconciles cash and investments to fund balances on a daily basis. ICB staff also reviews each investment trade for accuracy and compliance with the Board of Supervisor's adopted Investment Policy. On a quarterly basis, the County's external independent auditor (the "External Auditor") reviews the cash and investment reconciliations for completeness and accuracy, and reviews

investment transactions to ensure compliance with the Investment Policy.

The following table identifies the types of securities held by the Treasury Pool as of April 30, 2020:

Type of Investment	% of Pool
Certificates of Deposit	9.65
U.S. Government and Agency Obligations	64.00
Bankers Acceptances	0.00
Commercial Paper	25.87
Municipal Obligations	0.21
Corporate Notes & Deposit Notes	0.27
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of April 30, 2020, approximately 34% of the investments mature within 60 days, with an average of 587 days to maturity for the entire portfolio.

The County complements its conservative investment policies with a well-established practice of market research and due diligence. The Treasury Pool did not experience a single investment loss as a result of the global financial crisis in Fiscal Year 2008-09. Furthermore, the County has never purchased any structured investment vehicles nor any securities with material exposure to sub-prime mortgages.

FINANCIAL STATEMENTS-GAAP BASIS

Since Fiscal Year 1980-81, the County has prepared its general purpose financial statements in conformity with Generally Accepted Accounting Principles (GAAP) for State and local governments, with annual audits performed by independent certified public accountants.

The basic financial statements for the Fiscal Year ended June 30, 2019, and the unmodified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. Since 1982, the County CAFRs have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County budget for the upcoming fiscal year is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements for the current fiscal year. The 2019-20 Final Adopted Budget included an available General Fund balance of $2,089,840,000 as of June 30, 2019.

The amounts presented for the General Fund in accordance with GAAP are based on the modified accrual basis of accounting and differ from the amounts presented on the budgetary basis of accounting. The major areas of difference are described as follows:

- For budgetary purposes, nonspendable, restricted, committed and assigned fund balances and the portion of unassigned fund balance reserved for the "Rainy Day" fund are recorded as other financing uses at the time they are established. The County recognizes them as uses of budgetary fund balance. The nonspendable, restricted, committed, and assigned fund balances that are subsequently cancelled or otherwise made available are recorded as changes in fund balance from other financing sources.

- Under the budgetary basis of accounting, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred and amounts are collected within the County's availability period.

- General Fund obligations for accrued compensated absences and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within a one -year period after the fiscal year end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.

- In conjunction with the sale of Tobacco Settlement Asset-Backed Bonds in 2005-06, the County sold a portion of its future tobacco settlement revenues. Under the budgetary basis of accounting, the bond proceeds were recognized as revenues. Under the modified accrual basis of accounting, the bond proceeds were recorded as deferred inflows of resources and were being recognized over the duration of the sale agreement, in accordance with GASB Statements No. 48 and No. 65. This matter is discussed in further detail in Note 11 to the 2018-19 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."

- Under the budgetary basis of accounting, property tax revenues are recognized to the extent that they are collectible within a one-year period after the fiscal year end. Under the modified accrual basis of accounting, property tax revenues are recognized only to the extent that they are collectible within 60 days.

- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis of accounting, the effects of such fair value changes have been recognized as a component of investment income.

- The County determined that certain assets were held by LACERA (as the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis of accounting, the expenditures are adjusted to recognize the OPEB Agency assets as of June 30, 2019.

The tables below provide a reconciliation of the General Fund's June 30, 2019 fund balance on a budgetary and GAAP basis, and a summary of the audited Balance Sheets and Statements of Revenues and Expenditures and Changes in Fund Balance from Fiscal Year 2014-15 to Fiscal Year 2018-19.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2019 (in thousands of $)

Unassigned Fund Balance - Budgetary Basis	$2,089,840
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	197,462
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	170,034
Accrual of liabilities for accrued compensated absences not required by GAAP	92,574
Change in revenue accruals	40,029
Deferral of property tax receivables	(87,063)
Deferral of sale of tobacco settlement revenue	(217,518)
Change in fair value of Investments	(4,393)
Nonspendable long term receivable	(202,354)
Reserve for "Rainy Day" Fund	562,940
Unassigned Fund Balance - GAAP Basis	$2,641,551

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2015, 2016, 2017, 2018 and 2019
GENERAL FUND-GAAP BASIS (in thousands of $)

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
ASSETS					
Pooled Cash and Investments	$2,678,685	$3,181,151	$4,149,612	$4,386,386	$4,234,098
Other Investments	4,655	4,693	4,483	4,241	3,973
Taxes Receivable	157,215	148,485	159,429	173,423	190,819
Other Receivables	1,888,537	1,875,029	1,930,937	1,969,867	2,466,846
Due from Other Funds	460,987	322,883	308,556	665,194	757,525
Advances to Other Funds	434,849	395,511	167,179	124,840	634,848
Inventories	48,186	59,267	48,824	52,964	58,050
Total Assets	$5,673,114	$5,987,019	$6,769,020	$7,376,915	$8,346,159
LIABILITIES					
Accounts Payable	$410,671	$545,739	$600,827	$540,193	$636,560
Accrued Payroll	356,579	374,951	392,096	422,519	445,506
Other Payables	115,998	100,964	102,289	111,361	165,114
Due to Other Funds	271,800	146,886	126,140	208,100	212,300
Advances Payable	853,441	975,135	1,433,485	1,732,965	1,812,610
Third-Party Payor Liability	39,693	39,042	42,051	39,690	56,297
Total Liabilities	$2,048,182	$2,182,717	$2,696,888	$3,054,828	$3,328,387
DEFERRED INFLOWS OF RESOURCES	$435,109	$420,060	$421,159	$426,896	$583,763
FUND BALANCES					
Nonspendable	$272,384	$324,555	$212,281	$136,890	$311,958
Restricted	55,694	67,880	70,157	77,406	79,210
Committed	334,346	364,679	429,440	704,954	780,517
Assigned	491,954	446,579	494,783	480,065	620,773
Unassigned	2,035,445	2,180,549	2,444,312	2,495,876	2,641,551
Total Fund Balances	3,189,823	3,384,242	3,650,973	3,895,191	4,434,009
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$5,673,114	$5,987,019	$6,769,020	$7,376,915	$8,346,159

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2015, 2016, 2017, 2018 and 2019.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND-GAAP BASIS FISCAL YEARS 2014-15 THROUGH 2018-19 (in thousands of $)

	2014-15	2015-16	2016-17	2017-18	2018-19
REVENUES:					
Taxes	$4,772,762	$5,003,124	$5,333,532	$5,655,160	$6,034,742
Licenses, Permits & Franchises	61,561	60,666	59,197	61,198	63,538
Fines, Forfeitures and Penalties	207,684	189,312	183,400	175,827	187,979
Use of Money and Property	141,816	186,443	155,878	189,399	366,116
Aid from Other Government	8,574,288	8,939,412	9,377,215	9,730,931	10,224,347
Charges for Services	1,491,656	1,651,883	1,800,657	1,751,140	2,505,049
Miscellaneous Revenues	204,966	159,346	172,055	162,610	169,320
TOTAL	$15,454,733	$16,190,186	$17,081,934	$17,726,265	$19,551,091
EXPENDITURES					
General	$1,155,070	$1,039,188	$1,159,100	$1,253,758	$1,284,824
Public Protection	5,136,461	5,418,926	5,546,279	5,618,266	5,893,865
Health and Sanitation	2,931,257	3,161,202	3,460,315	3,996,450	5,065,138
Public Assistance	5,682,198	5,892,530	6,034,942	6,260,375	6,501,712
Recreation and Cultural Services	304,895	321,414	341,272	364,316	386,217
Debt Service	27,060	29,600	31,079	33,559	37,519
Capital Outlay	866	547	63	5,161	1,586
Total	$15,237,807	$15,863,407	$16,573,050	$17,531,885	$19,170,861
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$216,926	$326,779	$508,884	$194,380	$380,230
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	($131,647)	($133,714)	($243,604)	$43,178	$155,233
Sales of Capital Assets	870	807	1,388	1,499	1,769
Capital Leases	866	547	63	5,161	1,586
OTHER FINANCING SOURCES (USES)-Net	($129,911)	($132,360)	($242,153)	$49,838	$158,588
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	87,015	194,419	266,731	244,218	538,818
Beginning Fund Balance	3,102,808	3,189,823	3,384,242	3,650,973	3,895,191
Ending Fund Balance	$3,189,823	$3,384,242	$3,650,973	$3,895,191	$4,434,009

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2015, 2016, 2017, 2018 and 2019.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2018-19: 12 MONTHS ACTUAL
2019-20: 11 MONTHS ACTUAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2018-19
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018
PROPERTY TAX GROUP						
Tax Collector Trust Fund	$ 95,823	$ 58,321	$ 44,046	$ 523,298	$ 1,856,100	$ 2,908,353
Auditor Unapportioned Property Tax	428,157	109,751	132,676	183,373	571,425	2,374,829
Unsecured Property Tax	171,779	174,914	131,230	170,177	167,872	74,549
Miscellaneous Fees & Taxes	6,276	6,261	6,263	6,247	6,312	6,231
State Redemption Fund	26,128	40,386	41,000	47,904	41,068	24,551
Education Revenue Augmentation	39,444	119,213	40,967	720	18,571	497,904
State Reimbursement Fund	0	0	0	0	429	8,993
Sales Tax Replacement Fund	0	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	0	143,040	183,760	184,462	196,831
Property Tax Rebate Fund	7,277	11,986	22,120	18,080	29,692	12,199
Utility User Tax Trust Fund	12,498	4,473	4,781	9,609	12,946	18,786
Subtotal	$ 787,382	$ 525,305	$ 566,123	$ 1,143,168	$ 2,888,877	$ 6,123,226
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 524,262	$ 616,649	$ 589,179	$ 574,915	$ 533,128	$ 469,179
Payroll Revolving Fund	56,488	38,650	45,118	41,145	35,277	56,212
Asset Development Fund	53,584	59,309	59,683	59,698	59,722	59,737
Productivity Investment Fund	7,797	7,671	7,653	7,458	7,301	7,109
Motor Vehicle Capital Outlays	594	688	713	713	713	673
Civic Center Parking	155	146	241	214	172	37
Reporters Salary Fund	537	363	634	530	466	227
Cable TV Franchise Fund	13,497	13,353	13,338	13,859	13,797	14,060
Megaflex Long-Term Disability	11,751	11,635	11,603	11,457	11,455	11,431
Megaflex Long-Term Disability & Health	11,772	11,844	11,936	12,017	12,101	12,202
Megaflex Short-Term Disability	58,087	58,378	58,654	58,923	59,173	59,548
Subtotal	$ 738,524	$ 818,686	$ 798,752	$ 780,929	$ 733,305	$ 690,415
HOSPITAL GROUP						
Harbor-UCLA Medical Center	$ 9,880	$ (8,046)	$ 3,864	$ 18,249	$ (4,706)	$ 3,231
Olive View-UCLA Medical Center	30,183	9,417	3,514	21,041	10,592	6,027
LAC+USC Medical Center	9,868	15,942	1,916	22,815	8,585	1,900
	0	0	0	0	0	0
Rancho Los Amigos Rehab Center	(692)	(7,554)	584	6,215	7,694	4,078
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ 49,239	$ 9,759	$ 9,878	$ 68,320	$ 22,165	$ 15,236
GRAND TOTAL	**$ 1,575,145**	**$ 1,353,750**	**$ 1,374,753**	**$ 1,992,417**	**$ 3,644,347**	**$ 6,828,877**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2019	February 2019	March 2019	April 2019	May 2019	June 2019	
						PROPERTY TAX GROUP
$ 1,083,544	$ 692,363	$ 947,783	$ 2,285,226	$ 842,277	$ 199,414	**Tax Collector Trust Fund**
1,331,532	945,011	711,383	1,613,184	972,152	177,327	**Auditor Unapportioned Property Tax**
72,570	69,847	63,778	49,121	65,635	102,600	**Unsecured Property Tax**
6,282	6,318	6,258	6,302	6,307	6,240	**Miscellaneous Fees & Taxes**
21,976	23,091	22,417	21,715	17,985	16,720	**State Redemption Fund**
460,340	218,012	35,106	376,848	315,705	257,839	**Education Revenue Augmentation**
17,157	1,088	1,088	2,090	19,133	8,005	**State Reimbursement Fund**
0	0	0	0	0	0	**Sales Tax Replacement Fund**
595,307	354,258	661,325	702,571	685,393	0	**Vehicle License Fee Replacement Fund**
23,657	15,161	11,668	19,200	18,154	13,525	**Property Tax Rebate Fund**
22,432	4,252	8,936	1,541	5,176	7,994	**Utility User Tax Trust Fund**
$ 3,634,797	$ 2,329,401	$ 2,469,742	$ 5,077,798	$ 2,947,917	$ 789,664	**Subtotal**
						VARIOUS TRUST GROUP
$ 457,910	$ 443,128	$ 470,522	$ 505,003	$ 486,048	$ 460,659	**Departmental Trust Fund**
41,220	36,012	43,410	72,529	66,943	73,739	**Payroll Revolving Fund**
59,899	60,166	60,369	60,453	60,546	60,733	**Asset Development Fund**
6,863	6,606	6,551	8,599	9,247	9,218	**Productivity Investment Fund**
647	626	603	603	616	621	**Motor Vehicle Capital Outlays**
269	212	99	288	166	74	**Civic Center Parking**
539	354	370	516	340	347	**Reporters Salary Fund**
14,107	13,947	14,342	14,164	14,007	14,422	**Cable TV Franchise Fund**
11,453	11,508	11,456	11,356	11,348	11,354	**Megaflex Long-Term Disability**
12,257	12,262	12,351	12,426	12,517	12,605	**Megaflex Long-Term Disability & Health**
59,902	60,257	60,848	61,527	62,086	62,526	**Megaflex Short-Term Disability**
$ 665,066	$ 645,078	$ 680,921	$ 747,464	$ 723,864	$ 706,298	**Subtotal**
						HOSPITAL GROUP
$ (1,271)	$ (3,097)	$ (2,869)	$ 6,941	$ 18	$ 4,620	**Harbor-UCLA Medical Center**
(2,098)	155	775	12,447	12,585	1,922	**Olive View-UCLA Medical Center**
8,064	3,736	3,490	7,595	6,997	2,141	**LAC + USC Medical Center**
0	0	0	0	0	0	**MLK Ambulatory Care Center**
3,050	398	23	(60)	27,808	35,449	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 7,745	$ 1,192	$ 1,419	$ 26,923	$ 47,408	$ 44,132	**Subtotal**
$ 4,307,608	**$ 2,975,671**	**$ 3,152,082**	**$ 5,852,185**	**$ 3,719,189**	**$ 1,540,094**	**GRAND TOTAL**

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2019-20
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019
PROPERTY TAX GROUP						
Tax Collector Trust Fund	$ 139,285	$ 88,512	$ 63,541	$ 597,088	$ 2,152,970	$ 3,475,665
Auditor Unapportioned Property Tax	195,631	104,512	135,163	219,460	744,446	2,147,586
Unsecured Property Tax	178,530	180,300	139,744	176,267	155,727	78,956
Miscellaneous Fees & Taxes	6,222	6,250	6,237	6,270	6,255	6,244
State Redemption Fund	31,017	43,962	49,270	49,764	40,285	28,063
Education Revenue Augmentation	18,606	46,618	11,567	708	21,975	508,083
State Reimbursement Fund	0	0	0	0	1,683	8,808
Sales Tax Replacement Fund	0	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	42,108	142,611	154,084	155,030	181,818
Property Tax Rebate Fund	9,561	15,714	8,458	12,589	15,490	9,676
Utility User Tax Trust Fund	1,664	978	4,356	8,366	6,575	9,903
Subtotal	$ 580,516	$ 528,954	$ 560,947	$ 1,224,596	$ 3,300,436	$ 6,454,802
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 494,637	$ 484,580	$ 480,858	$ 469,831	$ 447,544	$ 444,878
Payroll Revolving Fund	69,436	66,424	80,757	68,960	64,501	87,017
Asset Development Fund	60,868	50,835	49,283	49,525	49,600	49,666
Productivity Investment Fund	9,114	9,046	8,978	8,873	8,750	8,418
Motor Vehicle Capital Outlays	610	612	709	709	709	685
Civic Center Parking	105	207	162	70	232	93
Reporters Salary Fund	389	350	429	359	462	527
Cable TV Franchise Fund	14,267	13,880	14,338	14,315	14,314	14,633
Megaflex Long-Term Disability	11,314	11,303	11,268	11,144	11,091	11,044
Megaflex Long-Term Disability & Health	12,691	12,771	12,876	12,928	13,015	13,112
Megaflex Short-Term Disability	62,791	63,006	63,416	63,811	64,180	64,790
Subtotal	$ 736,222	$ 713,014	$ 723,074	$ 700,525	$ 674,398	$ 694,863
HOSPITAL GROUP						
Harbor-UCLA Medical Center	$ 19,034	$ (2,483)	$ (418)	$ 18,473	$ 5,100	$ (4,237)
Olive View-UCLA Medical Center	13,355	9,992	743	117,435	111,010	36,968
LAC+USC Medical Center	(7,190)	11,940	7,597	17,093	12,142	7,950
MLK Ambulatory Care Center	0	0	0	0	0	0
Rancho Los Amigos Rehab Center	16,443	(1,480)	925	37,010	19,500	506
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ 41,642	$ 17,969	$ 8,847	$ 190,011	$ 147,752	$ 41,187
GRAND TOTAL	**$ 1,358,380**	**$ 1,259,937**	**$ 1,292,868**	**$ 2,115,132**	**$ 4,122,586**	**$ 7,190,852**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2020	February 2020	March 2020	April 2020	May 2020	Estimated June 2020	
						PROPERTY TAX GROUP
$ 1,090,022	$ 725,213	$ 880,307	$ 2,881,400	$ 1,183,379	$ 158,951	**Tax Collector Trust Fund**
1,322,632	857,678	805,522	1,312,206	884,051	192,656	**Auditor Unapportioned Property Tax**
74,769	68,946	66,821	48,254	64,048	132,046	**Unsecured Property Tax**
6,302	6,331	6,342	6,366	6,211	9,134	**Miscellaneous Fees & Taxes**
26,022	24,016	17,714	18,318	19,937	26,026	**State Redemption Fund**
1,072,832	341,836	23,546	343,066	242,547	173,640	**Education Revenue Augmentation**
15,862	1,029	1,029	2,012	19,722	11,599	**State Reimbursement Fund**
0	0	0	0	0	0	**Sales Tax Replacement Fund**
(33,746)	218,727	657,313	687,570	739,910	0	**Vehicle License Fee Replacement Fund**
8,024	9,060	10,772	18,969	8,396	0	**Property Tax Rebate Fund**
13,127	16,063	7,617	10,602	11,685	11,745	**Utility User Tax Trust Fund**
$ 3,595,846	$ 2,268,899	$ 2,476,983	$ 5,328,763	$ 3,179,886	$ 715,797	**Subtotal**
						VARIOUS TRUST GROUP
$ 466,511	$ 486,572	$ 506,395	$ 502,838	$ 505,530	$ 558,924	**Departmental Trust Fund**
68,964	74,858	80,745	67,585	67,254	53,107	**Payroll Revolving Fund**
49,705	49,788	49,842	50,377	50,138	45,320	**Asset Development Fund**
8,401	8,376	8,285	8,276	7,954	6,180	**Productivity Investment Fund**
678	652	613	599	599	6,180	**Motor Vehicle Capital Outlays**
283	179	19	12	82	147	**Civic Center Parking**
513	457	368	509	543	425	**Reporters Salary Fund**
14,485	14,436	14,746	14,645	14,474	13,390	**Cable TV Franchise Fund**
11,059	11,125	11,109	11,102	11,102	15,340	**Megaflex Long-Term Disability**
13,148	13,140	13,220	13,310	13,392	9,585	**Megaflex Long-Term Disability & Health**
65,245	65,948	66,594	66,991	67,315	44,609	**Megaflex Short-Term Disability**
$ 698,992	$ 725,531	$ 751,936	$ 736,244	$ 738,383	$ 753,207	**Subtotal**
						HOSPITAL GROUP
$ 6,569	$ 3,473	$ 3,606	$ 1,602	$ 3,606	0	**Harbor-UCLA Medical Center**
8,042	2,530	5,719	19,955	35,256	0	**Olive View-UCLA Medical Center**
(6,099)	6,363	8,356	386	26,333	0	**LAC + USC Medical Center**
0	0	0	0	0	0	**MLK Ambulatory Care Center**
(272)	1,490	546	1,103	535	0	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 8,240	$ 13,856	$ 18,227	$ 23,046	$ 65,730	$ -	**Subtotal**
$ 4,303,078	**$ 3,008,286**	**$ 3,247,146**	**$ 6,088,053**	**$ 3,983,999**	**$ 1,469,004**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2018-19: 12 MONTHS ACTUAL
2019-20: 11 MONTHS ACTUAL

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2018-19
(in thousands of $)

	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018
BEGINNING BALANCE	$ 2,358,936	$ 2,076,959	$ 1,846,102	$ 1,035,639	$ 679,155	$ 600,424
RECEIPTS						
Property Taxes	$ 98,925	$ 125,803	$ 0	$ 1,718	$ 53,409	$ 1,388,009
Other Taxes	16,883	20,935	29,088	7,873	20,730	14,277
Licenses, Permits & Franchises	3,785	2,600	4,448	3,638	5,988	3,805
Fines, Forfeitures & Penalties	31,954	20,215	7,750	7,890	13,993	7,921
Investment and Rental Income	27,374	23,547	18,772	15,966	33,976	17,032
Motor Vehicle (VLF) Realignment	0	(209,978)	45,369	36,140	61,201	31,105
Sales Taxes - Proposition 172	78,011	65,649	61,099	59,695	77,326	58,890
1991 Program Realignment	0	138,342	66,180	58,382	87,458	59,399
Other Intergovernmental Revenue	117,776	513,896	120,208	189,254	473,094	160,192
Charges for Current Services	33,554	236,876	98,403	178,379	118,838	131,327
Other Revenue & Tobacco Settlement	100,063	69,216	36,467	28,237	157,653	79,482
Transfers & Reimbursements	11,964	825	(61)	7,226	47,482	10,472
Hospital Loan Repayment*	0	109,607	0	292,307	90,820	0
Welfare Advances	375,468	345,083	473,683	332,316	401,070	546,766
Other Financing Sources/MHSA	3,417	224,561	23,149	3,764	34,446	61,323
Intrafund Borrowings	0	0	0	0	0	0
TRANs Sold	700,000	0	0	0	0	0
Total Receipts	$ 1,599,174	$ 1,687,177	$ 984,555	$ 1,222,785	$ 1,677,484	$ 2,570,000
DISBURSEMENTS						
Welfare Warrants	$ 193,595	$ 191,403	$ 192,469	$ 187,159	$ 184,333	$ 183,458
Salaries	515,304	521,680	514,319	509,336	539,810	609,681
Employee Benefits	330,234	335,420	318,364	337,161	332,605	339,019
Vendor Payments	724,498	476,188	420,230	424,365	390,489	393,251
Loans to Hospitals*	0	0	264,020	32,497	238,367	372,083
Hospital Subsidy Payments	51,660	324,449	56,854	0	60,507	0
Transfer Payments	65,860	68,894	28,762	88,751	10,104	47,719
TRANs Pledge Transfer	0	0	0	0	0	315,000
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	$ 1,881,151	$ 1,918,034	$ 1,795,018	$ 1,579,269	$ 1,756,215	$ 2,260,211
	$ 2,076,959	**$ 1,846,102**	**$ 1,035,639**	**$ 679,155**	**$ 600,424**	**$ 910,213**
Borrowable Resources (Avg. Balance)	$ 1,575,145	$ 1,353,750	$ 1,374,753	$ 1,992,417	$ 3,644,347	$ 6,828,877
Total Cash Available	$ 3,652,104	$ 3,199,852	$ 2,410,392	$ 2,671,572	$ 4,244,771	$ 7,739,090

* The net change in the outstanding Hospital Loan Balance is an increase of $429 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

January 2019	February 2019	March 2019	April 2019	May 2019	June 2019	Total 2018-19	
$ 910,213	$ 1,140,594	$ 1,023,697	$ 149,330	$ 734,180	$ 1,790,497		**BEGINNING BALANCE**
							RECEIPTS
$ 1,367,759	$ 230,352	$ 17,410	$ 1,007,328	$ 1,248,905	$ 324,131	$ 5,863,749	Property Taxes
15,541	33,837	12,117	24,203	15,018	27,299	237,801	Other Taxes
2,576	3,999	7,452	15,413	5,843	4,128	63,675	Licenses, Permits & Franchises
8,189	23,070	14,161	8,782	28,750	9,537	182,212	Fines, Forfeitures & Penalties
18,915	22,394	20,224	20,506	36,354	24,326	279,386	Investment and Rental Income
36,301	44,308	33,298	34,286	36,055	26,343	174,428	Motor Vehicle (VLF) Realignment
60,233	89,455	60,470	52,513	71,430	61,969	796,740	Sales Taxes - Proposition 172
61,317	93,650	62,467	52,883	73,777	63,702	817,557	1991 Program Realignment
237,425	313,251	187,039	137,575	429,905	318,926	3,198,541	Other Intergovernmental Revenue
316,035	136,861	140,255	188,859	130,943	227,518	1,937,848	Charges for Current Services
45,545	58,015	115,120	150,716	78,223	138,551	1,057,288	Other Revenue & Tobacco Settlement
10,390	4,399	5,786	14,104	9,219	37,145	158,951	Transfers & Reimbursements
285,146	183,688	0	360,728	585,573	141,461	2,049,330	Hospital Loan Repayment*
310,021	352,546	510,067	429,009	244,724	596,375	4,917,128	Welfare Advances
34,212	36,621	43,599	49,665	34,061	60,688	609,506	Other Financing Sources/MHSA
0	0	0	0	0	0	0	Intrafund Borrowings
0	0	0	0	0	0	700,000	TRANs Sold
$ 2,809,605	$ 1,626,446	$ 1,229,465	$ 2,546,570	$ 3,028,780	$ 2,062,099	$ 23,044,140	Total Receipts
							DISBURSEMENTS
$ 472,975	$ 182,800	$ 262,585	$ 231,695	$ 249,796	$ 261,626	$ 2,793,894	Welfare Warrants
557,253	538,365	531,352	551,155	520,527	531,028	6,439,810	Salaries
382,007	336,634	363,169	339,723	340,557	335,324	4,090,217	Employee Benefits
471,317	369,045	549,156	431,223	528,339	486,307	5,664,408	Vendor Payments
295,009	220,823	362,586	186,065	257,871	249,034	2,478,355	Loans to Hospitals*
(2,901)	82,674	0	0	(10,196)	26,830	589,877	Hospital Subsidy Payments
88,564	13,002	34,984	124,170	85,569	9,946	666,325	Transfer Payments
315,000	0	0	97,689	0	0	727,689	TRANs Pledge Transfer
0	0	0	0	0	0	0	Intrafund Repayment
$ 2,579,224	$ 1,743,343	$ 2,103,832	$ 1,961,720	$ 1,972,463	$ 1,900,095	$ 23,450,575	Total Disbursements
$ 1,140,594	**$ 1,023,697**	**$ 149,330**	**$ 734,180**	**$ 1,790,497**	**$ 1,952,501**		**ENDING BALANCE**
$ 4,307,608	$ 2,975,671	$ 3,152,082	$ 5,852,185	$ 3,719,189	$ 1,540,094		Borrowable Resources (Avg. Balance)
$ 5,448,202	$ 3,999,368	$ 3,301,412	$ 6,586,365	$ 5,509,686	$ 3,492,595		**Total Cash Available**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2019-20
(in thousands of $)

	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019
BEGINNING BALANCE	$ 1,952,501	$ 1,724,091	$ 1,359,182	$ 424,086	$ 727,072	$ 410,347
RECEIPTS						
Property Taxes	$ 55,174	$ 128,180	$ 0	$ 0	$ 62,079	$ 1,489,006
Other Taxes	18,457	17,535	16,420	15,991	26,328	12,668
Licenses, Permits & Franchises	3,649	3,673	4,162	1,760	5,413	2,133
Fines, Forfeitures & Penalties	34,969	18,637	8,436	9,017	18,117	8,448
Investment and Rental Income	27,900	23,040	16,560	18,428	25,428	14,866
Motor Vehicle (VLF) Realignment	0	(42,792)	45,260	38,294	55,448	32,526
Sales Taxes - Proposition 172	75,593	63,224	63,890	64,380	77,931	63,859
1991 Program Realignment	0	127,634	75,739	71,651	85,194	70,678
Other Intergovernmental Revenue	156,214	330,941	156,168	306,424	386,687	282,258
Charges for Current Services	192,155	234,942	83,988	238,311	141,006	263,659
Other Revenue & Tobacco Settlement	69,466	128,318	40,960	98,082	81,863	141,155
Transfers & Reimbursements	1,682	(836)	782	6,007	23,658	36,733
Hospital Loan Repayment*	0	149,121	0	819,471	0	34,024
Welfare Advances	354,144	197,841	584,883	382,821	346,052	628,723
Other Financing Sources/MHSA	175,063	87,352	50	0	93,917	52,514
Intrafund Borrowings	0	0	0	0	0	0
TRANs Sold	700,000	0	0	0	0	0
Total Receipts	$ 1,864,466	$ 1,466,810	$ 1,097,298	$ 2,070,637	$ 1,429,121	$ 3,133,250
DISBURSEMENTS						
Welfare Warrants	$ 194,253	$ 193,655	$ 200,668	$ 208,021	$ 202,782	$ 207,507
Salaries	539,331	554,279	537,101	535,703	546,055	576,288
Employee Benefits	339,469	352,356	347,466	355,342	346,681	377,670
Vendor Payments	728,562	492,468	440,402	564,580	476,207	588,563
Loans to Hospitals*	0	0	287,410	64,350	28,908	355,304
Hospital Subsidy Payments	240,766	208,020	180,367	(69,424)	78,416	26,064
Transfer Payments	50,495	30,941	38,980	109,079	66,797	7,264
TRANs Pledge Transfer	0	0	0	0	0	315,000
Intrafund Repayment	0	0	0	0	0	0
Total Disbursements	$ 2,092,876	$ 1,831,719	$ 2,032,394	$ 1,767,651	$ 1,745,846	$ 2,453,660
ENDING BALANCE	**$ 1,724,091**	**$ 1,359,182**	**$ 424,086**	**$ 727,072**	**$ 410,347**	**$ 1,089,937**
Borrowable Resources (Avg. Balance)	$ 1,358,380	$ 1,259,937	$ 1,292,868	$ 2,115,132	$ 4,122,586	$ 7,190,852
Total Cash Available	$ 3,082,471	$ 2,619,119	$ 1,716,954	$ 2,842,204	$ 4,532,933	$ 8,280,789

* The net change in the outstanding Hospital Loan Balance is a decrease of $421.8 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

January 2020	February 2020	March 2020	April 2020	May 2020	Estimated June 2020	Total 2019-20	
$ 1,089,937	$ 1,594,897	$ 951,668	$ 48,617	$ 895,841	$ 1,388,588		**BEGINNING BALANCE**
							RECEIPTS
$ 1,460,562	$ 221,789	$ 16,779	$ 1,094,142	$ 1,126,603	$ 473,538	$ 6,127,852	Property Taxes
17,688	15,158	23,049	14,372	15,910	2,798	196,374	Other Taxes
2,664	4,310	4,791	12,804	8,200	1,223	54,782	Licenses, Permits & Franchises
9,044	23,610	13,594	9,260	22,036	3,188	178,356	Fines, Forfeitures & Penalties
21,552	17,536	15,400	24,291	23,601	16,911	245,513	Investment and Rental Income
37,047	43,599	33,492	32,392	30,130	6,586	311,982	Motor Vehicle (VLF) Realignment
64,893	91,344	58,744	51,909	55,297	15,361	746,425	Sales Taxes - Proposition 172
72,155	101,092	65,637	58,242	61,710	17,540	807,272	1991 Program Realignment
144,005	254,595	270,991	216,455	345,318	236,753	3,086,809	Other Intergovernmental Revenue
331,118	128,023	119,926	266,876	103,166	132,828	2,235,998	Charges for Current Services
100,837	(23,355)	140,769	210,227	42,559	10,000	1,040,881	Other Revenue & Tobacco Settlement
8,664	6,583	8,708	20,955	8,687	28,585	150,208	Transfers & Reimbursements
116,682	97,465	230,911	268,910	132,123	368,438	2,217,145	Hospital Loan Repayment*
368,703	323,891	541,010	345,669	366,526	576,002	5,016,265	Welfare Advances
32,737	35,979	462	81,116	13,315	36,659	609,164	Other Financing Sources/MHSA
0	0	0	0	0	0	0	Intrafund Borrowings
0	0	0	0	0	0	700,000	TRANs Sold
$ 2,788,351	$ 1,341,619	$ 1,544,263	$ 2,707,620	$ 2,355,181	$ 1,926,410	$ 23,725,026	Total Receipts
							DISBURSEMENTS
$ 207,440	$ 492,295	$ 365,412	$ 258,190	$ 264,903	$ 241,703	$ 3,036,829	Welfare Warrants
587,379	572,796	558,890	575,348	541,223	607,576	6,731,969	Salaries
382,667	359,617	367,232	357,641	353,390	354,134	4,293,665	Employee Benefits
554,845	422,754	813,523	416,501	463,738	825,078	6,787,221	Vendor Payments
121,598	24,698	325,827	58,983	167,622	360,670	1,795,370	Loans to Hospitals*
2,807	108,925	0	(7,972)	0	0	767,969	Hospital Subsidy Payments
111,655	3,763	16,430	96,802	71,558	36,913	640,677	Transfer Payments
315,000	0	0	104,903	0	0	734,903	TRANs Pledge Transfer
0	0	0	0	0	0	0	Intrafund Repayment
$ 2,283,391	$ 1,984,848	$ 2,447,314	$ 1,860,396	$ 1,862,434	$ 2,426,073	$ 24,788,602	Total Disbursements
$ 1,594,897	**$ 951,668**	**$ 48,617**	**$ 895,841**	**$ 1,388,588**	**$ 888,924**		**ENDING BALANCE**
$ 4,303,078	$ 3,008,286	$ 3,247,146	$ 6,088,053	$ 3,983,999	$ 1,469,004		Borrowable Resources (Avg. Balance)
$ 5,897,975	$ 3,959,954	$ 3,295,763	$ 6,983,894	$ 5,372,587	$ 2,357,928		**Total Cash Available**

DEBT SUMMARY

INTRODUCTION

The County has issued various types of notes, bonds, and certificates to finance and refinance its cash management requirements, the replacement of essential equipment, and the acquisition, construction and/or improvement of government buildings and public facilities. The County has not entered into any swap agreements, or other similar interest rate derivative contracts, in connection with its outstanding debt.

OUTSTANDING OBLIGATIONS

As of July 1, 2019, approximately $1.936 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $1.043 billion of the outstanding debt. Revenues from Special Districts/Special Funds, Courthouse Construction Funds, and Hospital Enterprise Funds secure the remaining $893 million of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2019-20.

COUNTY OF LOS ANGELES
ADDITIONAL FUNDING SOURCES FOR REPAYMENT OF COUNTY INTERMEDIATE AND LONG-TERM OBLIGATIONS

2019-20 Payments

Funding Source	2019-20 Payment
Total 2019-20 Payment Obligations	$159,302,024
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Funds	52,934,921
Courthouse Construction Funds	15,002,335
Special Districts/Special Funds	2,772,114
Net 2019-20 General Fund Obligations	$88,592,654

Source: Los Angeles County Auditor-Controller

As of May 1, 2020, the County has $1.079 billion of outstanding short-term obligations, which includes $700.0 million in TRANs, $55.0 million in Bond Anticipation Notes, and $324.8 million in Lease Revenue Tax-exempt Commercial Paper Notes. The following table summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2020 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$700,000
Bond Anticipation Notes	55,000
Lease Revenue Notes	324,790
Intermediate & Long-Term Obligations	2,135,116
Total Outstanding Principal	$3,214,906

Source: Los Angeles County Treasurer and Tax Collector and Auditor-Controller

The tables at the end of this section provide a detailed summary of the funding sources for the County's outstanding obligations and future debt service payments.

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

In 1977, the County implemented a cash management program to finance its General Fund cash flow deficits, which occur periodically during the fiscal year. Since the program's inception, the County has annually sold varying amounts of tax anticipation notes and tax and revenue anticipation notes (including commercial paper).

Pursuant to a resolution adopted by the Board of Supervisors on May 14, 2019, the County issued $700 million of TRANs for Fiscal Year 2019-20 on July 1, 2019. The 2019-20 TRANs will mature on June 30, 2020. The TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2019-20, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2019-20 and Revenue Anticipation Notes" of this Appendix A.

Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes ("BANs") to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and are purchased by the County Treasury Pool under terms and conditions established by the Board of Supervisors. The BANs are payable within three years of their initial issuance date from the proceeds of long-term bonds or other available funds. The repayment of the BANs is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of May 1, 2020, $55.0 million in BANs were outstanding. The County issued $5 million of additional BANs on June 17, 2020 and will repay $20 million of the outstanding BANs with cash on June 30, 2020. The County plans to redeem an additional $35 million of outstanding BANs with the proceeds of intermediate-term bonds to be issued by LAC-CAL in July 2020.

Lease Revenue Note Program

In April 2019, the County successfully closed a restructuring of the Lease Revenue Note Program (the "Note Program"). The Note Program provides the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which will eventually be refinanced with the issuance of long-term bonds upon completion. Under the restructured Note Program, the County is authorized to issue up to $600 million in aggregate principal amount of short-term commercial paper notes supported by four Irrevocable, Direct-Pay Letters of Credit ("LOC") issued by Bank of the West (Series A - $100 million); U.S. Bank (Series B - $200 million); Wells Fargo (Series C - $200 million) and State Street (Series D - $100 million). The maximum aggregate principal amount of $600 million represents an increase of $100 million from the previous Note Program.

The Note Program is secured by a lease-revenue financing structure between LAC-CAL and the County, and a portfolio of fifteen County-owned properties pledged as collateral to secure the credit facilities. The four LOCs, which are scheduled to terminate on April 30, 2024, provide credit enhancement and liquidity support for both tax-exempt and taxable commercial paper notes. The commercial paper notes issued through the Note Program will continue to finance construction

costs for various capital projects throughout the County. As of May 1, 2020, $324.8 million of commercial paper notes are outstanding.

In June 2019, the County issued $117.5 million of tax-exempt commercial paper notes to finance the remaining balance of its $125 million contribution to the Los Angeles County Museum of Art (LACMA) Building for the Permanent Collection Project (the "LACMA Project"), which was approved by the Board of Supervisors on April 9, 2019. The $650 million LACMA Project will be funded through the $125 million County contribution and a LACMA private fundraising campaign. Based on the current financing plan for the LACMA Project, the County intends to issue $425 million of long-term lease revenue bonds in the fall of 2020 to refinance its $125 million contribution and to generate $300 million of additional proceeds to finance construction costs. LACMA will be responsible for the payment of debt service costs on the $300 million component of this financing through its private fundraising campaign.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of July 1, 2019, approximately $1.936 billion in principal remained outstanding on such obligations. The County's lease obligations are secured by revenues from various funding sources, including the General Fund, and are subject to annual appropriation. The Fiscal Year 2019-20 Final Adopted Budget and the Fiscal Year 2020-21 Recommended Budget (drafted prior to the COVID-19) contain sufficient appropriations to fund the debt service on the County's lease payment obligations. The County's Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to the net revenue-producing valuation of the property tax roll (the "Net Local Roll") increased from 0.112% in Fiscal Year 2018-19 to 0.121% in Fiscal Year 2019-20. The following table provides the ratio of the General Fund's outstanding debt to the Net Local Roll over the past ten years.

COUNTY OF LOS ANGELES
OUTSTANDING DEBT TO ASSESSED VALUATION AS OF JULY 1

Fiscal Year	Outstanding Principal	Net Local Property Tax Roll	Debt To Value Ratio
2010-11	805,297,030	1,042,339,975,681	0.077%
2011-12	1,397,467,754	1,056,493,252,156	0.132%
2012-13	1,370,642,758	1,079,685,510,076	0.127%
2013-14	1,622,142,327	1,129,994,170,579	0.144%
2014-15	1,576,510,029	1,191,806,972,618	0.132%
2015-16	1,633,835,517	1,264,906,464,546	0.129%
2016-17	1,785,310,693	1,335,525,121,301	0.134%
2017-18	1,761,081,064	1,416,125,372,989	0.124%
2018-19	1,695,142,404	1,509,888,186,608	0.112%
2019-20	1,935,946,630	1,604,296,790,020	0.121%

OTHER DEBT OBLIGATIONS

Tobacco Bonds

On February 8, 2006 the California County Tobacco Securitization Agency (the "Agency"), a Joint Exercise of Powers Authority, issued $319.8 million in Tobacco Settlement Asset-Backed Bonds (the "2006 Tobacco Bonds") for the purpose of loaning the proceeds to the Los Angeles County Securitization Corporation (the "Corporation"). The Corporation used the Tobacco Bond proceeds to purchase 25.9% of the County's annual Tobacco Settlement Revenues (the "TSRs") paid by the tobacco companies participating in the Master Settlement Agreement. The 2006 Tobacco Bonds are secured by the 25.9% portion of the annual TSRs and are not considered a debt obligation of the County. On June 10, 2020, the Agency issued $349.6 million of Tobacco Settlement Bonds (the "2020 Tobacco Settlement Bonds") on behalf of the County to fully refund the 2006 Tobacco Bonds. The 2020 Tobacco Settlement Bonds are projected to generate approximately $102 million of net present value savings, or 26% interest cost savings from the 2006 Tobacco Bonds, and significantly mitigate the risk of future default that existed with the 2006 Tobacco Bonds. The actual amount of savings will depend on various factors, including future smoking participation rates, the volume of cigarette shipments from the participating manufacturers, inflation and other factors pursuant to the terms of the Master Settlement Agreement.

DPSS Lease Obligations

From January 28, 1999 through July 28, 2005, the County entered into several build to suit operating and capital lease agreements with various organizations whereby the County would lease buildings and improvements for use by County Departments including the Department of Public Social Services (the "DPSS Facilities"). In order to facilitate the construction of the DPSS Facilities, financing was obtained through the sale of Certificates of Participation ("COPs") and Lease Revenue Bonds with the periodic lease payments pledged as security for repayment of the debt securities. Although these financings are categorized as leases in the County's financial statements, the ultimate obligor for the outstanding debt is the County General Fund. The principal amount of the outstanding underlying COPs and Bond obligations is $186.1 million as of May 1, 2020.

Vermont Corridor Project

The County, working in conjunction with the Community Development Commission (CDC), is developing County-owned property in the area known as the "Vermont Corridor" in the City of Los Angeles. The Vermont Corridor Project includes the development of three sites in the Vermont Corridor area, including: Site 1 – new Department of Mental Health (DMH) headquarters facility and parking garage; Site 2 – mixed-use market rate housing; and Site 3 – affordable senior housing. On July 26, 2018, the County financed the Site 1 project with the issuance of $302.3 million of lease revenue bonds through a not-for-profit special purpose entity, Los Angeles County Facilities, Inc., which will also serve as the construction and facility manager for the project. The development of Site 2 and Site 3 will be financed with private capital provided through TC LA Development, Inc., the private developer for the Vermont Corridor Project.

2019 Lease Revenue Bonds

On August 29, 2019, the County issued $251.9 million of long-term lease revenue bonds to refinance $318.75 million of outstanding commercial paper notes that were used as the initial financing vehicle for multiple capital projects, which include the East Antelope Valley Animal Care Center, Martin Luther King Jr. Medical Campus Parking Structure, Rancho Los Amigos National Rehabilitation Center, Fire Station 143, Music Center Plaza Improvement Project, and the Los Angeles County Probation Department Building Renovation. The 2019 Lease Revenue Bonds are scheduled to mature on December 1, 2049.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2019

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE

CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF MAY 1, 2020

SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS

REPORTS AS OF MAY 1, 2020

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2019

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2019-20	$ 88,592,654	$ 52,934,921	$ 15,002,335	$ 2,772,114	$ 159,302,024
2020-21	$ 85,292,096	50,681,389	14,997,342	2,770,155	153,740,981
2021-22	$ 85,899,841	50,423,184	14,991,788	2,772,727	154,087,540
2022-23	$ 88,506,189	50,420,052	14,991,568	2,770,179	156,687,988
2023-24	$ 65,740,020	50,410,165	14,985,583	2,771,524	133,907,291
2024-25	$ 65,734,539	50,403,888	14,971,366	2,772,880	133,882,674
2025-26	$ 65,725,041	50,395,048	14,968,875	2,772,804	133,861,767
2026-27	$ 65,716,651	50,391,691	14,959,875	2,772,537	133,840,753
2027-28	$ 65,628,686	50,383,353	14,947,750	2,771,073	133,730,861
2028-29	$ 65,331,406	50,371,753	14,945,875	2,773,632	133,422,666
2029-30	$ 65,108,404	50,364,260	14,937,625	2,770,541	133,180,829
2030-31	$ 65,100,335	50,345,701	8,340,500	2,770,790	126,557,326
2031-32	$ 65,093,482	50,341,280	8,336,375	2,771,350	126,542,487
2032-33	$ 65,089,187	50,331,926	6,115,375	2,770,272	124,306,760
2033-34	$ 65,080,741	50,315,721	6,119,250	2,772,755	124,288,466
2034-35	$ 63,905,204	50,309,705	-	2,774,794	116,989,702
2035-36	$ 63,900,049	50,294,766	-	2,769,980	116,964,796
2036-37	$ 63,889,088	50,283,745	-	2,774,430	116,947,263
2037-38	$ 63,880,619	50,278,866	-	2,772,883	116,932,369
2038-39	$ 63,873,669	50,259,691	-	2,773,883	116,907,244
2039-40	$ 63,864,844	50,246,289	-	2,773,659	116,884,793
2040-41	$ 63,853,160	50,237,761	-	2,772,601	116,863,522
2041-42	$ 43,234,575	19,945,100	-	2,774,050	65,953,725
2042-43	$ 43,238,575	19,948,218	-	2,774,482	65,961,275
2043-44	$ 43,239,075	-	-	808,250	44,047,325
2044-45	$ 43,233,900	-	-	809,750	44,043,650
2045-46	$ 34,035,575	-	-	-	34,035,575
2046-47	$ 18,133,800	-	-	-	-
2047-48	$ 18,132,300	-	-	-	-
2048-49	$ 18,127,400	-	-	-	-
2049-50	$ 18,131,375	-	-	-	-
2050-51	$ 18,140,375	-	-	-	-
2051-52	$ 18,132,250	-	-	-	-
Total	$ 1,830,585,107	$ 1,150,318,471	$ 193,611,481	$ 68,154,095	$ 3,242,669,155

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2019

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2019-20	$ 1,043,075,443	$ 708,963,922	$ 144,035,000	$ 39,872,265	$ 1,935,946,630
2020-21	1,018,135,942	688,722,303	135,205,000	39,017,435	1,881,080,679
2021-22	988,159,023	669,817,455	126,135,000	38,120,777	1,822,232,255
2022-23	947,983,559	650,368,047	116,790,000	37,175,498	1,752,317,104
2023-24	903,267,302	630,069,623	107,130,000	36,184,357	1,676,651,281
2024-25	879,479,815	608,863,906	97,130,000	35,141,008	1,620,614,729
2025-26	854,546,357	586,643,269	86,730,000	34,042,763	1,561,962,389
2026-27	828,386,235	563,319,690	75,825,000	32,888,277	1,500,419,202
2027-28	800,935,089	538,830,160	64,370,000	31,674,859	1,435,810,108
2028-29	772,202,909	513,114,829	52,340,000	30,400,717	1,368,058,455
2029-30	742,331,152	486,115,239	39,695,000	29,058,609	1,297,200,000
2030-31	711,176,720	457,762,435	26,410,000	27,650,845	1,223,000,000
2031-32	678,449,828	427,999,539	19,210,000	26,170,633	1,151,830,000
2032-33	644,150,098	396,740,964	11,645,000	24,613,939	1,077,150,000
2033-34	608,195,124	363,916,356	5,970,000	22,978,519	1,001,060,000
2034-35	570,424,529	329,453,785	-	21,256,686	921,135,000
2035-36	531,985,780	293,295,333	-	19,448,887	844,730,000
2036-37	491,721,347	255,401,290	-	17,562,363	764,685,000
2037-38	449,547,750	215,683,273	-	15,583,977	680,815,000
2038-39	405,396,190	174,133,219	-	13,515,591	593,045,000
2039-40	359,241,097	130,747,077	-	11,346,826	501,335,000
2040-41	311,003,169	85,416,324	-	9,070,508	405,490,000
2041-42	260,590,000	38,047,845	-	6,682,155	305,320,000
2042-43	228,885,000	19,481,371	-	4,173,629	252,540,000
2043-44	195,550,000	-	-	1,540,000	197,090,000
2044-45	160,505,000	-	-	790,000	161,295,000
2045-46	123,735,000	-	-	-	123,735,000
2046-47	94,650,000	-	-	-	-
2047-48	80,525,000	-	-	-	-
2048-49	65,825,000	-	-	-	-
2049-50	50,530,000	-	-	-	-
2050-51	34,525,000	-	-	-	-
2051-52	17,690,000	-	-	-	-

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2019

Title	Total Debt Service	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	$ 18,380,000	$ 18,380,000			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 731,203	$ 731,203			
Patriotic Hall Renovation	1,180,760	1,180,760			
Hall of Justice Rehabilitation	6,095,696	6,095,696			
Olive View Medical Center ER/TB Unit	1,360,544		$ 1,360,544		
Olive View Medical Center Seismic	560,491		560,491		
Harbor/UCLA Surgery/ Emergency	8,525,804		8,525,804		
Harbor/UCLA Seismic Retrofit	1,314,715		1,314,715		
Total 2010 Multiple Capital Projects I, Series A	$ 19,769,212	$ 8,007,659	$ 11,761,554	$ 0	$ 0
2010 Multiple Capital Projects I, Federally Taxable Series B:					
Coroners Expansion/ Refurbishment	$ 1,166,023	$ 1,166,023			
Patriotic Hall Renovation	1,882,916	1,882,916			
Hall of Justice Rehabilitation	9,720,589	9,720,589			
Olive View Medical Center ER/TB Unit	2,169,611		$ 2,169,611		
Olive View Medical Center Seismic	893,795		893,795		
Harbor/UCLA Surgery/ Emergency	13,595,795		13,595,795		
Harbor/UCLA Seismic Retrofit	2,096,529		2,096,529		
Total 2010 Multiple Capital Projects I, Series B	$ 31,525,258	$ 12,769,528	$ 18,755,731	$ 0	$ 0
2011 High Desert Solar Complex (Federally Taxable)	$ 595,899	$ 595,899			
2012 Refg COPs: Disney Parking Project	$ 2,533,750	$ 2,533,750			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	$ 8,845,190		$ 8,845,190		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	10,767,482		10,767,482		
Martin Luther King Jr. Data Center	341,963		341,963		
Fire Station 128	297,079				$ 297,079
Fire Station 132	480,492				480,492
Fire Station 150	745,280			`	745,280
Fire Station 156	442,389				442,389
Total 2012 Multiple Capital Projects II, Series 2012	$ 21,919,875	$ 0	$ 19,954,636	$ 0	$ 1,965,239
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 9,196,250	$ 9,196,250			
Manhattan Beach Library	806,875				$ 806,875
Total 2015 Multiple Capital Projects, Series A	$ 10,003,125	$ 9,196,250	$ 0	$ 0	$ 806,875
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	$ 3,189,625	$ 3,189,625			
LAX Area Courthouse	2,533,000			$ 2,533,000	
Chatsworth Courthouse	2,124,500			2,124,500	
Total 2015 Multiple Capital Projects, Series B	$ 7,847,125	$ 3,189,625	$ 0	$ 4,657,500	$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	$ 10,344,835			$ 10,344,835	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	$ 15,902,994	$ 15,902,994			
2018 Lease Revenue Bonds					
Vermont Corridor Administration Building, Series A	$ 14,156,700	$ 14,156,700			
Vermont Corridor Administration Building, Series B (Federally Taxable)	165,750	165,750			
Total 2018 Vermont Corridor Series A & B	$ 14,322,450	$ 14,322,450	$ 0	$ 0	$ 0
Total Long-Term Obligations	$ 153,144,524	$ 84,898,154	$ 50,471,921	$ 15,002,335	$ 2,772,114
Intermediate-Term Obligations					
Equipment					
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 6,157,500	$ 3,694,500	$ 2,463,000		
Total Intermediate-Term Obligations	$ 6,157,500	$ 3,694,500	$ 2,463,000	$ 0	$ 0
Total Obligations	$ 159,302,024	$ 88,592,654	$ 52,934,921	$ 15,002,335	$ 2,772,114

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2019

Title	Total Outstanding Principal	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	$ 4,465,857	$ 4,465,857			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 713,478	$ 713,478			
Patriotic Hall Renovation	1,152,138	1,152,138			
Hall of Justice Rehabilitation	5,947,934	5,947,934			
Olive View Medical Center ER/TB Unit	1,327,564		$ 1,327,564		
Olive View Medical Center Seismic	546,904		546,904		
Harbor/UCLA Surgery/ Emergency	8,319,135		8,319,135		
Harbor/UCLA Seismic Retrofit	1,282,846		1,282,846		
Total 2010 Multiple Capital Projects I, Series A	$ 19,290,000	$ 7,813,550	$ 11,476,450	$ 0	$ 0
2010 Multiple Capital Projects I, Series B:					
Coroners Expansion/ Refurbishment	$ 25,447,194	$ 25,447,194			
Patriotic Hall Renovation	41,092,631	41,092,631			
Hall of Justice Rehabilitation	212,141,438	212,141,438			
Olive View Medical Center ER/TB Unit	47,349,441		$ 47,349,441		
Olive View Medical Center Seismic	19,506,113		19,506,113		
Harbor/UCLA Surgery/ Emergency	296,713,674		296,713,674		
Harbor/UCLA Seismic Retrofit	45,754,510		45,754,510		
Total 2010 Multiple Capital Projects I, Series B	$ 688,005,000	$ 278,681,262	$ 409,323,738	$ 0	$ 0
2011 High Desert Solar Complex (Federally Taxable)	$ 5,230,773	$ 5,230,773			
2012 Refg COPs: Disney Parking Project	$ 50,675,000	$ 50,675,000			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	$ 126,573,298		$ 126,573,298		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	154,080,996		154,080,996		
Martin Luther King Jr. Data Center	4,893,441		4,893,441		
Fire Station 128	4,251,148				$ 4,251,148
Fire Station 132	6,875,769				6,875,769
Fire Station 150	10,664,835				10,664,835
Fire Station 156	6,330,513				6,330,513
Total 2012 Multiple Capital Projects II, Series 2012	$ 313,670,000	$ 0	$ 285,547,735	$ 0	$ 28,122,265
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 133,810,000	$ 133,810,000			
Manhattan Beach Library	11,750,000				$ 11,750,000
Total 2015 Multiple Capital Projects, Series A	$ 145,560,000	$ 133,810,000	$ 0	$ 0	$ 11,750,000
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	$ 9,095,000	$ 9,095,000			
LAX Area Courthouse	50,660,000			$ 50,660,000	
Chatsworth Courthouse	42,490,000			42,490,000	
Total 2015 Lease Revenue Refunding Bonds, Series B	$ 102,245,000	$ 9,095,000	$ 0	$ 93,150,000	$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	$ 50,885,000			$ 50,885,000	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	$ 247,000,000	$ 247,000,000			
2018 Lease Revenue Bonds					
Vermont Corridor Administration Building, Series A	$ 297,280,000	$ 297,280,000			
Vermont Corridor Administration Building, Series B (Federally Taxable)	5,100,000	5,100,000			
Total 2018 Vermont Corridor Series A & B	$ 302,380,000	$ 302,380,000	$ 0	$ 0	$ 0
Total Long-Term Obligations	$ 1,929,406,630	$ 1,039,151,443	$ 706,347,922	$ 144,035,000	$ 39,872,265
Intermediate-Term Obligations					
Equipment					
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 6,540,000	$ 3,924,000	$ 2,616,000		
Total Intermediate-Term Obligations	$ 6,540,000	$ 3,924,000	$ 2,616,000	$ 0	$ 0
Total Obligations	$ 1,935,946,630	$ 1,043,075,443	$ 708,963,922	$ 144,035,000	$ 39,872,265

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF MAY 1, 2020

Title	Outstanding Principal	Total Future Payments	2019-20 FY Payment Remaining
Long-Term Obligations			
Long-Term Capital Projects			
1993 COPs: Disney Parking Project	$ 1,483,886	$ 9,625,000	$ 0
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,088,686,531 (1)	0
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	4,686,793	4,898,330 (1)	0
2012 Refg COPs: Disney Parking Project	50,675,000	55,763,000	0
2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012	306,645,000	503,988,225	0
2015 Multiple Capital Projects, Series A	142,765,000	253,665,000	3,569,125
2015 Lease Revenue Refunding Bonds Series B	99,440,000	142,315,000	2,486,000
2015 Lease Revenue Refunding Bonds Series C (Taxable)	42,055,000	46,091,552	700,905
2016 Lease Revenue Bonds Series D	242,330,000	419,101,550	5,569,797
2018 Lease Revenue Bonds (Vermont Corridor) Series A	297,280,000	588,255,000	7,078,350
2018 Lease Revenue Bonds (Vermont Corridor) Series B (Federally Taxable)	5,100,000	5,597,250	82,875
2019 Lease Revenue Refunding Bonds Series E-1	219,335,000	428,175,750	5,377,675
2019 Lease Revenue Refunding Bonds Series E-2	32,555,000	62,941,650	767,650
Total Long-Term Obligations	$ 2,132,355,679	$ 3,609,103,838	$ 25,632,377
Intermediate-Term Obligations			
Equipment			
2017 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 2,760,000	$2,844,375	$2,214,000
Total Intermediate-Term Obligations	$ 2,760,000	$ 2,844,375	$ 2,214,000
Total Obligations	$ 2,135,115,679	$ 3,611,948,213	$ 27,846,377

COPs = Certificates of Participation

(1) Total Future Payments reflects the County's net future payment obligation after receipt of a Federal interest subsidy authorized by the American Recovery and Reinvestment Act (ARRA) of 2009.

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
ESTIMATED OVERLAPPING DEBT STATEMENT AS OF MAY 1, 2020
2019-20 Assessed Valuation: $1,632,701,705,411: (includes unitary valuation)

	Applicable %	Debt as of 5/1/20
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Metropolitan Water District	48.640 %	$ 18,142,720
Los Angeles Community College District	100.000	4,234,460,000
Other Community College Districts	Various (1)	3,990,145,650
Arcadia Unified School District	100.000	217,495,890
Beverly Hills Unified School District	100.000	504,205,649
Glendale Unified School District	100.000	273,764,986
Long Beach Unified School District	100.000	1,473,970,702
Los Angeles Unified School District	100.000	9,681,070,000
Pasadena Unified School District	100.000	286,685,000
Pomona Unified School District	100.000	301,283,209
Redondo Beach Unified School District	100.000	210,431,206
Santa Monica-Malibu Unified School District	100.000	711,375,232
Torrance Unified School District	100.000	468,959,196
Other Unified School Districts	Various (1)	4,220,280,109
High School and School Districts	Various (1)	2,163,711,522
City of Los Angeles	100.000	729,520,000
City of Industry	100.000	58,520,000
Other Cities	100.000	45,565,000
Community Facilities Districts	100.000	616,457,353
1915 Act and Benefit Assessment Bonds - Estimate	100.000	126,385,232
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		$ 30,332,428,656
Less: Los Angeles Unified School District economically defeased general obligation bonds		(27,330,000)
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		30,305,098,656
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	**100.000 %**	**$ 2,321,185,679**
Los Angeles County Office of Education Certificates of Participation	100.000	5,182,434
Community College District Certificates of Participation	Various (2)	23,593,652
Baldwin Park Unified School District Certificates of Participation	100.000	28,470,000
Compton Unified School District Certificates of Participation	100.000	33,495,000
Los Angeles Unified School District Certificates of Participation	100.000	164,430,000
Paramount Unified School District Certificates of Participation	100.000	27,860,000
Other Unified School District Certificates of Participation	Various (2)	168,299,081
High School and Elementary School District General Fund Obligations	Various (2)	162,688,236
City of Beverly Hills General Fund Obligations	100.000	131,050,000
City of Los Angeles General Fund and Judgment Obligations	100.000	1,442,350,696
City of Long Beach General Fund Obligations	100.000	108,565,000
City of Long Beach Pension Obligations Bonds	100.000	13,200,000
City of Pasadena General Fund Obligations	100.000	407,042,944
City of Pasadena Pension Obligations Bonds	100.000	136,820,000
Other Cities' General Fund Obligations	100.000	1,735,017,323
Los Angeles County Sanitation Districts Financing Authority	100.000	55,590,000
Antelope Valley Hospital District General Fund Obligation	100.000	9,034,910
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,973,874,955
Less: Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds and economically defeased certificates of participation		(9,623,000)
Cities' supported bonds		(422,478,736)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,541,773,219
OVERLAPPING TAX INCREMENT DEBT: (Successor Agencies):		$ (2,900,552,470)
GROSS COMBINED TOTAL DEBT		$ 40,206,856,081 (3)
NET COMBINED TOTAL DEBT		$ 39,747,424,345

(1) All 100%, or almost 100%, except for Antelope Valley Joint Union High School and Community College District, Fullerton Union High School District, Las Virgenes Joint Unified School District, North Orange County Joint Community College District, and the schools and special districts included in them.

(2) All 100%, or almost 100%, except for Fullerton Union High School District, Las Virgenes Joint Unified School District, Snowline Joint Unified School District, Victor Valley Joint Community College District, and the schools and special districts included in them.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Except for Los Angeles Unified School District Qualified Zone Academy Bonds (QZABs) are included based on principal due at maturity.

RATIOS TO 2019-20 ASSESSED VALUATION	
Total Gross Overlapping Tax and Assessment Debt	1.86 %
Total Gross Direct Debt ($2,321,185,679)	0.14 %
Gross Combined Total Debt	2.46 %
Net Combined Total Debt	2.43 %
Ratios to Redevelopment Sucessor Agency Incremental Valuation ($221,201,325,408):	
Total Overlapping Tax Increment Debt	1.31 %

Source: California Municipal Statistics. The above report is included for general information purposes only. The County has not reviewed the debt report for completeness or accuracy and makes no representations in connection therewith.

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of Appendix A contains general information concerning the historic economic and demographic conditions in the County. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature and reflects information available as of its dated date, and it is not possible at this time to predict whether the trends shown will continue in the future. The County makes no representation as to the accuracy or completeness of data obtained from parties other than the County. In particular, certain of the information provided in under this Section predates the COVID-19 pandemic. See "Certain Risks – Financial Conditions in Local, State and National Economies.

Economic Overview

With a 2019 Gross Product of $861 billion, Los Angeles County's economy is larger than that of 45 states and all but 17 countries. The County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. The County's economy continued to experience steady growth in 2019 with an increase in economic output of 3.6% as measured by Gross Product, and an estimated increase in total taxable sales of 2.9%.

The County's unemployment rate fell to 4.5% in 2019, which reflected a long-term trend of continued improvement in the job market, and the lowest rate of the post-recession period. Prior to the onset of the COVID-19 pandemic, the positive trend in the job market was expected to continue, with a projected decline in the average unemployment rate in 2020 and 2021 to 4.3% and 4.1%, respectively.

However, the recession and financial crisis caused by the COVID-19 outbreak in 2020 has resulted in a significant decrease in economic activity, which will have a profound adverse impact on employment and job growth, the magnitude of which is unknown at this time.

During Fiscal Year 2016-17, voters approved various State and local ballot measures that generated approximately $151.0 billion in funding for capital infrastructure and public services in the County. In the June and November 2016 elections, the voters in school and community college districts passed over $9.4 billion in general obligation bond measures supported by ad valorem taxes to finance new capital construction and improvement projects, with an average approval rate of over 73%. As of December 31, 2019, K-12 schools and community college districts in the County had approximately $16.4 billion of previously authorized, but unissued bond capacity. The Measure A parcel tax is expected to generate approximately $94 million per year for the County's local parks, beaches, and open space areas, and will replace the expiring funding from voter approved Propositions A in 1992 and 1996.

The increase in sales tax revenue resulting from the 2008 voter-approved Measure R and the corresponding 2016 voter-approved Measure M will continue to provide funding for major highway and transit projects throughout the County. Measure M provides an indefinite extension of the increase in sales tax revenue approved by voters through Measure R, which was originally set to expire on July 1, 2039. Measure M is projected to generate $120.0 million of sales tax revenue over the next 40 years for the Los Angeles County Metropolitan Transportation Authority ("MTA") to finance new transportation infrastructure projects.

On March 7, 2017, the voters approved Measure H authorizing a one-quarter percent (0.25%) County sales tax for ten years in order to fund homeless services and prevention. The increase in sales tax revenue resulting from the voter-approved Measure H provides funding to prevent and combat homelessness within the County. Measure H is projected to generate approximately $355.0 million of sales tax revenue per year for the County.

In 2020, the County will experience a significant reduction in total sales tax revenue as a result of the economic downturn caused by the COVID-19 pandemic, which will have an adverse impact on the funding available for various programs and services. The magnitude of the future revenue decrease is unknown at this time.

On November 6, 2018, voters passed Measure W authorizing the Los Angeles County Flood Control District to levy a special tax annually at the rate of 2.5 cents per square foot of impermeable area to assist in the capture of stormwater and related pollution clean-up. This Measure is projected to generate approximately $300 million in tax revenue per year for the County until ended by voters (no sunset clause).

In addition, hospitals throughout the County are engaged in building programs to meet stricter earthquake standards and other regulatory requirements. These major construction projects, combined with the terminal expansions under way at the two primary sea ports (Port of Los Angeles and Port of Long Beach), the expansion of the Los Angeles International Airport ("LAX"), and the expansion of the Metro Light Rail System have provided continued support to the job market in the County.

In terms of its industrial base, diversity continues to be the County's greatest strength, with wholesale and retail trade, health care, manufacturing, and leisure and hospitality being the leading employment sectors in the private economy. The Los Angeles Customs District ("LACD"), which includes LAX, Port Hueneme, Port of Los Angeles, and the Port of Long Beach, is the largest customs district in the nation. The Los Angeles region is the largest manufacturing center in the nation, with over 343,300 workers employed in this sector in 2019. The two major seaports (Port of Los Angeles and Port of Long Beach) encompass the largest port complex in the nation as measured by cargo tonnage and the number of containers handled and is ranked as the ninth largest among the world's port facilities. The County's vibrant technology sector known as Silicon Beach has become a large and growing source of highly compensated jobs in the local economy. According to the Los Angeles Economic Development Corporation ("LAEDC"), the County's information technology sector employed 215,200 workers in 2019.

Quality of Life

Higher Education

The County is home to an extensive education system, with 120 colleges and university campuses, including UCLA; five state university campuses; 21 community colleges; prestigious private universities such as USC, Occidental College and Claremont College; religious-affiliated universities such as Pepperdine and Azusa Pacific; renowned technology schools such as the California Institute of Technology and the affiliated Jet Propulsion

Laboratory; and specialized institutions such as the California Institute of the Arts, the Art Center College of Design, the Fashion Institute of Design and Merchandising, and the Otis College of Art and Design.

Culture

The County is the cultural center of the western United States and has been referred to as the "entertainment capital of the world," offering world-class museums, theaters, and music venues. The County is home to the world's leading movie studios, television networks, recording studios, video game developers, publishers and artists, creating one of the largest centers for art and entertainment activity in the nation.

The Performing Arts Center of Los Angeles County, which includes the Dorothy Chandler Pavilion, Ahmanson Theater, Mark Taper Forum and Walt Disney Concert Hall, is one of the three largest performing art venues in the nation. The County features more musical and theatrical productions and has more weekly openings than most major cities in the world. The County is home to the Los Angeles Philharmonic Orchestra, which is recognized as one of the finest symphony orchestras in the world.

The County has among the largest number of museums per capita relative to other large metropolitan areas in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities; as well as providing a historical overview of the area's ethnic heritage and experience. Major institutions include the Los Angeles County Museum of Art, the Los Angeles County Museum of Natural History, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, the Huntington Library and the Broad Museum of Contemporary Art. The Broad Museum is located adjacent to the iconic Walt Disney Concert Hall and has helped to further strengthen and establish downtown Los Angeles as a premiere cultural destination on the west coast.

In March 2018, the Lucas Museum of Narrative Art in Exposition Park broke ground and is set to open in 2021. The $1.5 billion museum facility was co-founded by George Lucas, and will include an art exhibition space, archive, library, an expansive lobby, classrooms, two state-of-the-art theaters, a museum shop, and a café. The museum is located directly across the street from the University of Southern California and west of the Natural History Museum.

The Academy Museum of Motion Pictures is scheduled to open in the Miracle Mile district of Los Angeles in the Spring of 2021. The $482 million facility will be the nation's first large-scale museum dedicated to the art, science, craft, business, and history of film. The 300,000 square-foot museum will include galleries, two theaters, an active education studio, an outdoor piazza, a rooftop terrace with views of the Hollywood Hills, and several spaces for special events and restaurants.

Sports and Recreation

With its geographic size, topography, mild climate, and an average of 329 days of sunshine per year, Los Angeles County offers a full spectrum of recreational activities that are enjoyed by residents and visitors on a year-round basis. The County owns and maintains the world's largest man-made recreational harbor at Marina del Rey, and manages over 183 parks, over 200 miles of horse, biking, and hiking trails, natural habitat and the world's largest public golf course system. Each year, millions of people visit the County's 25 miles of public beaches stretching along its 75-mile coastline, with bike enthusiasts able to enjoy the County's 22-mile beach bikeway.

Millions of visitors continue to enjoy the County's multitude of amusement parks, zoos, museums, theaters, sporting venues, motion picture and television studios, parklands, and world-renowned restaurants and retail centers. In addition, the County is the host to a number of major annual events such as the January 1st Rose Parade & Rose Bowl game, Long Beach Grand Prix, Grammy Awards, and the Academy Awards. Los Angeles County has been a prior host to major sporting events such as the Summer Olympics, the World Cup, X Games, BCS College Football National Championship, and the Super Bowl.

In January 2016, National Football League (NFL) team owners voted to allow the St. Louis Rams to move to Los Angeles for the 2016 NFL season. A year later, NFL team owners voted to allow the San Diego Chargers to relocate to Los Angeles for the 2017 NFL season. The future home of the Los Angeles Rams and the Los Angeles Chargers is currently under construction and will feature a new 70,000 seat glass-roofed stadium on a 298-acre site in Inglewood. The new stadium is part of a larger privately financed multibillion-dollar entertainment, retail and housing complex located on the former site of Hollywood Park. The Rams' and Chargers' new stadium is projected to open for the 2020 NFL season at a cost expected to exceed $2 billion. The Rams will play their home games in the Los Angeles Coliseum, and the Chargers will play their home games at the Dignity Health Sports Park (formerly named the StubHub Center) in Carson until the new stadium is completed.

In July 2017, the International Olympic Committee announced that the City of Los Angeles will host the 2028 Summer Olympics. This will be the third time that Los Angeles has hosted the Summer Olympics, with the previous occasions occurring in 1932 and 1984. A study prepared by Beacon Economics and the University of California Riverside estimated that the Olympic Games will have a significant economic impact to the regional economy, with an estimated $9.6 billion in visitor spending generating approximately $152 million to $167 million of additional tax revenues.

On April 18, 2018, a new soccer stadium in Exposition Park was opened to the public. This Gensler-designed stadium seats 22,000 and is the home stadium to the Major League Soccer franchise the Los Angeles Football Club. This $350 million facility also includes shops, restaurants, and conference space.

Population

The County is the most populous county in the U.S. with nearly 10.3 million people estimated to be residing within its borders. The County's population makes it equivalent to the tenth largest state in the nation and accounts for approximately 25.7% of the total population of California. According to the U.S. Census Bureau's demographic profile, the County's population is comprised of 48.6% Hispanic, 26.1% White, 15.4% Asian, 9.0% African American and 0.9% other. The County is home to the highest number of foreign–born residents in the nation and has the largest population of persons of Chinese, Filipino, Japanese, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 103 consulates, the County has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented across the County. It is estimated that 78.7% of the adult population has a high school diploma or higher, and 31.8% has a bachelor's degree

or higher. Table B illustrates the recent historical growth of the County's population.

Employment

Since the 2008 economic downturn, which had a significant adverse impact on the local economy, the County experienced a steady recovery in the job market from 2010 to 2019. The average unemployment rate increased from 5.1% in 2007 to 12.5% in 2010, but experienced a steady decrease over the last nine years to 4.5% in 2019. In comparison, the average unemployment rates for the State of California and the United States in 2019 were 4.1% and 3.7%, respectively. Prior to the COVID-19 pandemic, the unemployment rate in the County was expected to experience continued improvement over the next two years, falling to 4.3% in 2020 and 4.1% in 2021, as the County approached full employment. Table E details the County's historical unemployment rates from 2015 through 2019. The employment situation in the County showed additional signs of improvement in 2019, with estimated total net job growth of 115,800 among the various sectors of the local economy. Table F details the non-agricultural employment statistics by sector for the County from 2015 through 2019. The economic downturn and financial crisis caused by the COVID-19 outbreak in 2020 will have a significant adverse impact on the unemployment rate and job growth, the magnitude and duration of which is unknown at this time.

Personal Income

Total personal income in the County grew by an estimated 4.4% in 2019. The 2019 total personal income of $652.9 billion represents an estimated 24.7% of the total personal income generated in California. Prior to the COVID-19 pandemic, The LAEDC was projecting continued growth in personal income of 1.8% for 2020 and 2.1% for 2021. Table C provides a summary of the personal income statistics for the County from 2015 through 2019. The economic downturn and financial crisis caused by the COVID-19 outbreak in 2020 will result in a significant decrease in total personal income, the magnitude and duration of which is unknown at this time.

Consumer Spending

As the most populous county in the nation with a vibrant and diverse economy, the County is recognized as a national leader in consumer spending. Based on estimates provided by LAEDC, the County experienced a 3.6% increase in total taxable sales in 2018, with continued growth of 2.9% estimated for 2019. The $170.8 billion of total estimated taxable sales in the County for 2019 represents 23.5% of the total taxable sales in California, which underscores the significant importance of the County to the economic health of California. Table D provides a summary of total taxable sales activity in the County from 2015 through 2019. The economic downturn and financial crisis caused by the COVID-19 outbreak in 2020 will result in a significant decrease in consumer spending, the magnitude and duration of which is unknown at this time.

Industry

With an estimated annual economic output of $861 billion in 2019, the County continues to rank among the world's largest economies. The County's 2019 Gross Product represents approximately 27.4% of the total economic output in California and 4.0% of the Gross Product of the United States. The County's business environment is distinguished by its diversity and balance and it is recognized as a world leader in technology, electronics, energy, communications, and entertainment. The top industries in the manufacturing sector include computer and electronics, apparel, transportation equipment, fabricated metal products, and food. Table A provides the Gross Product statistics for the County from 2015 through 2019. The economic downturn and financial crisis caused by the COVID-19 outbreak in 2020 will result in a significant decrease in economic activity, the magnitude and duration of which is unknown at this time.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, the County has become the leading center of international trade in the United States. The County's airports and extensive port facilities serve as the gateway for the Southern California region's thriving international trade. The value of two-way trade in the LACD experienced steady growth over the previous decade, resulting in a record level of $357.1 billion in 2008. After decreasing to $340.2 billion in 2009, the value of two-way trade in the LACD grew by 25.9% from 2009 to 2019. The $428.2 billion worth of international trade processed through the LACD in 2019 represents a 6.1% decrease from 2018. The economic downturn and financial crisis caused by the COVID-19 outbreak in 2020 will result in a significant adverse impact to international trade, the magnitude and duration of which is unknown at this time.

Transportation/Infrastructure

The County is one of the world's largest transportation centers. The region's ports, airports, integrated rail and highway facilities are part of an extensive transportation infrastructure that provides valuable service to residents, visitors, and industry.

Airports and Harbors

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at LAX, Long Beach Airport and the Bob Hope Airport in Burbank. LAX is ranked as the third busiest airport in the world and second in the United States for passenger traffic. In 2019, LAX served 88.1 million passengers, representing a 0.6% increase from the previous year. The 2.3 million tons of air cargo handled at LAX in 2019, represents a decrease of 5.4% from 2018 levels. The $14 billion capital improvement project currently underway at LAX is expected to generate approximately 121,000 local jobs and is projected to last through 2028. On May 2, 2016, the Bob Hope Airport changed its branding name to Hollywood Burbank Airport to increase name recognition outside of Southern California. The Hollywood Burbank Airport is currently in the pre-planning stage to replace its 14-gate terminal with a new state of the art facility. Construction is expected to begin on the replacement terminal 1st quarter of 2021. The economic downturn and financial crisis caused by the COVID-19 outbreak in 2020 will result in a significant decrease in airport passenger traffic, the magnitude and duration of which is unknown at this time.

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation's largest port complex in terms of annual cargo tonnage and container volume. The combined Los Angeles/Long Beach port complex has been one of the fastest growing port facilities in the United States and is the busiest port complex in the U.S. and western hemisphere, and the tenth busiest in the world. The port complex is a powerful economic force in the region, with a direct connection to hundreds of thousands of jobs in Southern California and billions of dollars in state and local tax revenue.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2018, it was ranked as the busiest container port in the United States and the seventeenth (17th) busiest in the world, as measured by annual container volume. The Port of Los Angeles covers over 7,500 acres and includes 43 miles of waterfront. The Port has 27 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2019, the Port handled 9.3 million TEUs, which represents a 2.1% decrease in container volume from 2018.

The Port of Long Beach is also among the world's busiest container ports and was ranked behind the Port of Los Angeles as the second busiest port in the nation, and the twenty-first (21st) busiest in the world in 2018. The Port of Long Beach covers 3,520 acres with 10 separate piers, 62 berths, 68 cranes and 22 shipping terminals. In 2019, the port handled nearly 7.6 million TEUs of container cargo, which represents a decrease of 5.7% from 2018.

The economic downturn and financial crisis caused by the COVID-19 outbreak in 2020 will result in a significant decrease in international trade and the volume of container cargo handled at the Port of Los Angeles and the Port of Long Beach, the magnitude and duration of which is unknown at this time.

Port Expansion

The Ports of Los Angeles and Long Beach are currently in the process of major ongoing expansion programs that will facilitate further growth and expansion of trade activity. The expansion of port facilities will have a positive future economic impact on the region through the creation of new jobs in the trade-related sectors of the local economy. The various expansion related projects will enable the region to more effectively manage higher volumes of imports and exports and provide a faster and more efficient system for the transportation of cargo from the port complex to markets nationwide.

Metro System

The Metro System is a multi-modal and integrated passenger transportation system that provides service to the greater Los Angeles area. With over 380 million in annual boardings, the Metro System is the largest public transportation system in the U.S. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation services that will be implemented over a 30-year period. The integrated Metro System is administered and operated by the MTA, which is responsible for the planning, design, construction and operation of the public transportation system for the County.

The Fiscal Year 2018-19 operating budget for the MTA is $7.2 billion, which is funded primarily through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants. The MTA is currently working on approximately $18.3 billion of multiple transportation infrastructure projects which include but not limited to, the Airport Rail Connector and Green Line Extension; East San Fernando Valley Transit Corridor; Gold Line Rail Extension; Purple Line Rail Subway Extension; West Santa Anita Light Rail Corridor; Orange Line BRT Improvements; South Bay Green Line Rail Extension and the Crenshaw/LAX Light Rail Extension.

The economic downturn and financial crisis caused by the COVID-19 outbreak in 2020 will result in a significant reduction in passenger boardings and MTA revenue, the magnitude and duration of which is unknown at this time.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. In 2018, the Los Angeles region hosted a record high of 50 million visitors, representing a 3.1% increase from 2017. According to the Los Angeles Convention and Visitors Bureau, a record 7.5 million foreign residents visited the region in 2018, which represents a 3.6% increase compared to 2017. Recently constructed hotels in downtown Los Angeles, Beverly Hills and Hollywood are attracting additional business and leisure travelers to the County. The economic downturn and financial crisis caused by the COVID-19 outbreak in 2020 will result in a significant reduction to travel and tourism to Southern California, the magnitude and duration of which is unknown at this time.

Real Estate and Construction

After enduring the adverse effects of the economic downturn starting in late 2007, the County's residential housing market experienced a strong and steady recovery from 2012 to 2019. The average median price for new and existing homes, decreased by nearly 46% from a peak of $532,281 in 2007 to a cyclical low of $290,015 in January 2012. However, the real estate market stabilized in 2012 and experienced a strong recovery, with an increase in the average median home price of 85.8% from 2012 to 2019.

In 2019, the real estate market continued to experience strong growth, as the average median home price increased by 2.6% to $614,094 from 2018. After a record high of 105,433 in 2009, notices of default recorded decreased by 90.7% to 9,821 in 2019. Foreclosures, as measured by the number of trustees deeds recorded, has experienced a significant decrease of over 95% from a cyclical high of 39,774 in 2008 to 1,649 in 2019. The number of trustees deeds recorded in 2019 represents an 8% decrease from 2018 (1,792 to 1,649).

Despite the severe downturn in the housing market from 2007 to 2011, the County has maintained stable assessed valuations. The stability of the property tax base is primarily due to the significant amount of "stored value" in the secured property tax roll as a result of Proposition 13. For Fiscal Year 2019-20, the County Assessor reported a Net Local Roll of 1.604 trillion, which represents a 6.25% increase from the Net Local Roll of $1.510 trillion in Fiscal Year 2018-19. The Net Local Roll in Fiscal Year 2019-20 represents a 48.6% increase from Fiscal Year 2011-12, and the ninth consecutive year of growth in assessed valuation after the most recent economic downturn.

The commercial real estate sector declined in 2019. Construction lending experienced a decline of 30.5% from $20,419 billion in2018 to $14,193 billion in 2019. Office market vacancy rates declined slightly from 2018 to 2019, with an increase in the average vacancy rate from 14.0% to 14.1%, which is still significantly higher than the 9.7% rate in 2007, prior to the economic downturn. Industrial market vacancy rates decreased to 1.1% in 2019 from 1.3% in 2018, which is lower than the 1.5% vacancy rate in 2007 prior to the economic downturn.

On June 23, 2017, the InterContinental hotel in the Wilshire Grand Center in Downtown Los Angeles opened after several years of construction. The 73-story, 1,100-foot tall structure, includes an InterContinental hotel, office space and condominiums, represents a $1.35 billion private investment in Downtown Los Angeles. In August 2017, the University of Southern California

completed a $700 million mixed-use complex adjacent to its main campus, which is located just south of Downtown Los Angeles. The 1.2 million-square foot complex includes seven residential halls, a 30,000 square-foot fitness center, and is home to commercial tenants such as Trader Joes, Target and CVS. In November 2018, demolition began on the Grand, a $1 billion mixed use development project designed by Frank Gehry. Construction of the Grand, with 39 stories and more than 400 condos and apartments is expected to be completed by the fall of 2021.

The impact to the real estate market as a result of the economic downturn and financial crisis caused by the COVID-19 outbreak in 2020 is unknown at this time.

GROSS PRODUCT

POPULATION LEVELS

TOTAL PERSONAL INCOME

TOTAL TAXABLE SALES

UNEMPLOYMENT RATES

AVERAGE ANNUAL EMPLOYMENT

SUMMARY OF AIRPORT AND PORT ACTIVITY

VALUE OF INTERNATIONAL TRADE AT MAJOR U.S. CUSTOMS DISTRICTS

TOTAL TONNAGE OF MAJOR WEST COAST PORTS

TOTAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS

REAL ESTATE AND CONSTRUCTION INDICATORS

BUILDING PERMITS AND VALUATIONS

LARGEST PRIVATE SECTOR EMPLOYERS

TABLE A: GROSS PRODUCT OF LOS ANGELES COUNTY (in billions of $)

	2015	2016	2017	2018	2019
Los Angeles County	$722	$745	$787	$831	$861
State of California	2,554	2,658	2,819	2,998	3,139
United States	18,225	18,715	19,519	20,580	21,427
Los Angeles County as a % of California	28.3%	28.0%	27.9%	27.7%	27.4%

Source: Los Angeles County Economic Development Corporation 2019-2020 Economic Forecast; Bureau of Economic Analysis-US Department of Commerce

TABLE B: POPULATION LEVELS (in thousands)

	2015	2016	2017	2018	2019
Los Angeles County	10,156	10,186	10,227	10,255	10,254
State of California	38,952	39,215	39,505	39,741	39,927
Los Angeles County as a % of California	26.1%	26.0%	25.9%	25.8%	25.7%

Source: Los Angeles County Economic Development Corporation 2019-2020 Economic Forecast

TABLE C: TOTAL PERSONAL INCOME: HISTORICAL SUMMARY BY COUNTY (in millions of $)

	2015	2016	2017	2018	2019
Los Angeles County	$560,071	$578,280	$595,322	$625,195	$652,865
Orange County	193,256	199,821	209,174	222,513	233,297
San Diego County	179,992	186,512	193,789	205,858	216,539
Riverside and San Bernardino Counties	162,857	170,765	179,312	191,041	200,960
Ventura County	47,166	48,470	50,670	53,587	55,938
State of California	2,171,947	2,263,890	2,370,112	2,514,129	2,642,277
Los Angeles County as a % of California	25.8%	25.5%	25.1%	24.9%	24.7%

Source: Los Angeles County Economic Development Corporation 2019-2020 Economic Forecast

TABLE D: TOTAL TAXABLE SALES IN LOS ANGELES COUNTY (in millions of $)

	2015	2016	2017	2018	2019e
Los Angeles County	$151,982	$155,156	$160,280	$166,024	$170,802
State of California	638,632	653,856	677,823	706,835	726,311
Los Angeles County as a % of California	23.8%	23.7%	23.6%	23.5%	23.5%

Source: Board of Equalization; Please note that BOE is no longer updating taxable sales. LAEDC forecast taxable sales for 2017 and 2018.

TABLE E: UNEMPLOYMENT RATES

	2015	2016	2017	2018	2019
Los Angeles County	6.6%	5.3%	4.8%	4.7%	4.5%
State of California	6.2%	5.5%	4.8%	4.2%	4.1%
United States	5.3%	4.9%	4.4%	3.9%	3.7%

Source: Los Angeles County Economic Development Corporation 2019-2020 Economic Forecast

TABLE F: ESTIMATED AVERAGE ANNUAL EMPLOYMENT IN LOS ANGELES COUNTY BY SECTOR

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2015	2016	2017	2018	2019e
Health Care & Social Assistance	629.9	650.8	675.9	702.9	741.7
Wholesale & Retail Trade	639.6	640.0	644.9	645.6	644.8
Government	549.8	561.9	568.2	572.4	591.5
Leisure and Hospitality	484.5	506.3	520.6	535.3	543.7
Manufacturing	357.5	355.4	346.4	342.2	343.3
Professional Scientific & Technical Services	277.4	274.3	281.4	291.2	298.8
Administrative & Support & Waste Services	263.7	266.5	267.4	268.1	272.4
Transportation, Warehousing & Utilities	164.1	173.8	184.0	196.2	205.8
Other	180.4	182.8	178.5	162.7	168.8
Information	204.2	227.7	200.5	198.9	215.2
Construction	126.0	132.6	137.4	145.6	150.4
Finance & Insurance	133.2	136.8	136.1	135.7	133.4
Educational Services	97.8	97.9	100.4	103.2	104.4
Real Estate & Rental & Leasing	79.2	81.0	83.6	86.4	87.1
Management of Companies & Enterprises	57.4	56.3	56.6	59.4	60.3
Total	4,244.7	4,344.1	4,381.9	4,445.8	4,561.6

Source: Los Angeles County Economic Development Corporation; California Employment Development Department

TABLE G: SUMMARY OF AIRPORT AND PORT ACTIVITY (in thousands)

Type of Activity	2015	2016	2017	2018	2019
International Air Cargo (Tons)					
Los Angeles International Airport	1,284.7	1,336.3	1,476.7	1,557.6	1,436.0
As Percentage of Total Air Cargo	60.24%	60.59%	61.80%	63.68%	62.08%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,132.5	2,205.3	2,389.5	2,446.1	2,313.2
Long Beach Airport	23.9	25.2	23.0	21.6	21.1
Hollywood Burbank Airport	54.8	53.3	54.4	56.5	53.8
Total	2,211.2	2,283.8	2,466.9	2,524.2	2,388.1
International Air Passengers					
Los Angeles International Airport	20,740.1	22,850.2	24,829.4	26,053.6	25,696.3
As Percentage of Total Passengers	27.68%	28.24%	29.36%	29.76%	29.20%
Total Air Passengers					
Los Angeles International Airport	74,936.3	80,921.5	84,558.0	87,534.4	88,068.0
Long Beach Airport	2,523.7	2,841.1	3,783.8	3,884.7	3,584.2
Hollywood Burbank Airport	3,943.6	4,142.9	4,739.5	4,739.5	5,983.7
Total	81,403.6	87,905.5	93,081.3	96,158.6	97,635.9
Container Volume (TEUs)					
Port of Los Angeles	8,160.5	8,856.8	9,343.2	9,458.7	9,337.6
Port of Long Beach	7,192.1	6,775.2	7,544.5	8,091.0	7,632.0
Total	15,352.6	15,632.0	16,887.7	17,549.7	16,969.6

Source: Los Angeles World Airports, Hollywood Burbank Airport, Long Beach Airport, Port of Long Beach, Port of Los Angeles

TABLE H: VALUE OF INTERNATIONAL TRADE AT MAJOR CUSTOMS DISTRICTS (in millions of $)

Customs District	2015	2016	2017	2018	2019
Los Angeles, CA	$393,668	$397,960	$430,929	$455,914	428,227
New York, NY	370,287	356,426	364,165	392,360	381,357
Laredo, TX	285,179	282,841	302,561	326,826	324,549
Detroit, MI	245,239	247,973	264,323	270,340	261,935
Chicago, IL	201,755	198,242	223,480	251,933	255,353
New Orleans, LA	199,241	193,279	217,456	238,462	218,096
Houston-Galveston, TX	195,467	161,457	192,003	234,024	237,002
Savannah, GA	148,736	143,792	155,837	173,173	180,731
Seattle, WA	154,761	147,293	149,164	155,249	142,508
Cleveland, OH	129,921	131,794	142,684	152,342	151,329

Source: Los Angeles County Economic Development Corporation; USA Trade Online

TABLE I: TOTAL TONNAGE OF MAJOR WEST COAST PORTS (in thousands)

Port	2014	2015	2016	2017	2018
Los Angeles-Long Beach, CA	210,440	204,800	209,685	222,980	222,979
Tacoma, WA	34,936	34,149	38,153	34,697	33,830
Oakland, CA	30,540	29,020	31,100	31,388	31,773
Seattle, WA	14,422	14,906	15,134	17,848	19,786
Kalama, WA	9,725	12,080	14,241	14,071	15,513
Portland, OR	14,573	9,798	9,743	12,184	13,418
Port Hueneme	5,240	5,774	5,381	5,911	5,948
San Diego, CA	5,358	5,591	5,999	5,193	5,386
Vancouver, WA	2,855	3,014	2,748	2,866	3,086

Source: Los Angeles County Economic Development Corporation; Pacific Maritime Association, Annual Reports

TABLE J: TOTAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS (TEUs in thousands)

Port	2015	2016	2017	2018	2019
Los Angeles-Long Beach, CA	15,353	15,632	16,888	17,550	16,970
New York-New Jersey, NY	6,372	6,252	6,711	7,180	7,471
Savannah, GA	3,737	3,645	4,046	4,352	4,599
Seattle-Tacoma, WA	3,529	3,616	3,702	3,798	3,775
Norfolk, VA	2,549	2,656	2,841	2,856	2,938
Houston, TX	2,131	2,183	2,459	2,670	2,988
Oakland, CA	2,278	2,370	2,421	2,546	2,500
Charleston, SC	1,973	1,996	2,178	2,316	2,436

Source: Los Angeles County Economic Development Corporation; Port of Los Angeles, Port of Long Beach, The Port Authority of New York and New Jersey, Port of Oakland, Port of Virginia, The Northwest Seaport Alliance, Port of Houston Authority, South Carolina Ports

TABLE K: REAL ESTATE AND CONSTRUCTION INDICATORS IN LOS ANGELES COUNTY

Indicator	2015	2016	2017	2018	2019
1. Construction Lending (in millions)	$9,711	$11,979	$13,619	$20,419	$14,193
2. Residential Purchase Lending (in millions)	$48,832	$53,362	$53,764	$48,203	$56,476
3. New & Existing Median Home Prices	$490,083	$521,558	$561,335	$598,387	$614,094
4. New & Existing Home Sales	81,188	81,061	82,318	75,086	73,549
5. Notices of Default Recorded	17,422	13,802	11,402	9,726	9,821
6. Unsold New Housing (at year-end)	620	1,217	N/A*	N/A*	N/A*
7. Office Market Vacancy Rates	14.7%	14.1%	14.3%	14.0%	14.1%
8. Industrial Market Vacancy Rates	0.8%	0.8%	1.2%	1.3%	1.1%

**Q4 2017, 2018, and 2019 data are unavailable.*

Source: Real Estate Research Council of Southern California - 4th Quarter 2019

TABLE L: BUILDING PERMITS AND VALUATIONS

	2015	2016	2017	2018	2019
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	4,297	4,664	5,559	5,800	5,558
b. Multi-Family	18,638	15,272	16,451	16,765	15,804
Total Residential Building Permits	22,935	19,936	22,010	22,565	21,362
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$1,868	$2,096	$2,376	$2,155	$1,907
b. Multi-Family	2,877	2,765	3,173	3,162	2,947
c. Alterations and Additions	1,591	1,550	1,692	1,754	1,561
Residential Building Valuations Subtotal	$6,336	$6,411	$7,241	$7,071	$6,415
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$347	$345	$498	$426	$470
b. Retail Buildings	472	541	688	770	1,174
c. Hotels and Motels	327	332	89	213	203
d. Industrial Buildings	85	154	132	91	63
e. Alterations and Additions	2,629	2,774	2,999	2,424	3,258
f. Other	1,025	618	876	1,724	723
Non-Residential Building Valuations Subtotal	$4,885	$4,764	$5,282	$5,648	$5,891
Total Building Valuations (in millions)	$11,221	$11,175	$12,523	$12,719	$12,306

Source: Real Estate Research Council of Southern California - 4th Quarter 2018

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

	Company (in order of 2017 Ranking)	Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
1	Kaiser Permanente	Health Care Provider	Oakland, CA	40,309	217,712
2	University of Southern California	Education-Private University	Los Angeles, CA	21,710	22,193
3	Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	18,000	85,000
4	Providence St. Joseph Health Southern California	Health Care	Renton, WA	15,952	119,000
5	Target Corp.	Retailer	Minneapolis, MN	15,000	350,000
6	Cedars-Sinai	Medical Center	Los Angeles, CA	14,713	15,200
7	Allied Universal	Security Professional and Safety Services	Santa Ana, CA/ Conshohocken, PA	13,972	215,000
8	Ralphs/Food 4 Less (Kroger Co. division)	Grocery Retailer	Cincinnati, OH	13721	443000
9	Walt Disney Co.	Entertainment	Burbank, CA	13,000	201,000
10	NBCUniversal	Entertainment	New York, NY	12,000	N/A
11	AT&T Inc.	Telecommunications	Dallas, TX	11,500	268,220
12	Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	11,200	400,000
13	Albertsons/Vons/Pavilions	Grocery Retailer	Boise, Idaho	10,200	270,000
14	California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	9,015	9,761
15	Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	9,000	153,000
16	UPS	Transportation and Freight	Atlanta, GA	8,417	481,000
17	Wells Fargo	Diversified Financial Services	San Francisco, CA	8,263	263,000
18	ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,000	140,000
19	Bank of America Corp.	Banking and Financial Services	Charlotte, NC	7,500	N/A
20	FedEx Corp.	Shipping and Logistics	Memphis, TN	7,000	450,000
21	City of Hope	Cancer Treatment and Research Center	Duarte, CA	6,350	6,451
22	Dignity Health	Hospitals	San Francisco, CA	6,000	N/A
23	Space Exploration Technologies Corp. (SpaceX)	Rockets and Spacecraft	Hawthorne, CA	6,000	N/A
24	Children's Hospital Los Angeles	Hospital	Los Angeles, CA	6,000	6,000
25	Raytheon Co.	Aerospace/Defense Contractor	Waltham, MA	5,800	67,000
26	Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	5,475	255,196
27	SoCal Gas	Natural Gas Utility	San Diego, CA	5,400	N/A
28	Adventist Health	Health Care System	Roseville, CA	5,027	22,189
29	Paramount Pictures	Entertainment	Hollywood, CA	5,000	N/A
30	Warner Bros. Entertainment Inc.	Entertainment	Burbank, CA	5,000	9,000

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, August 2019

APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES

CALIFORNIA

COUNTY OF LOS ANGELES, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
TABLE OF CONTENTS

Page

Independent Auditor's Report B-1
Management's Discussion and Analysis (Unaudited) B-4
Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Position B-27
Statement of Activities B-28
Fund Financial Statements:
Balance Sheet - Governmental Funds B-30
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position B-32
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds B-34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities B-36
Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis:
General Fund B-37
Fire Protection District B-38
Flood Control District B-39
Public Library B-40
Regional Park and Open Space District B-41
Mental Health Services Act B-42
Statement of Net Position - Proprietary Funds B-44
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds B-46
Statement of Cash Flows - Proprietary Funds B-48
Statement of Fiduciary Net Position - Fiduciary Funds B-52
Statement of Changes in Fiduciary Net Position - Fiduciary Funds B-53
Statement of Net Position - Discretely Presented Component Units B-54
Statement of Activities - Discretely Presented Component Units B-55
Notes to the Basic Financial Statements B-57
Required Supplementary Information (Unaudited):
Schedule of the County's Proportionate Share of the Net Pension Liability and Related Ratios - Last Ten Fiscal Years B-160
Schedule of County's Pension Contributions - Last Ten Fiscal Years B-160
Schedule of the County's Proportionate Share of the Net RHC OPEB Liability - Last Ten Fiscal Years B-162
Schedule of County's RHC OPEB Contributions - Last Ten Fiscal Years B-162
Schedule of Changes in the Total LTD OPEB Liability and Related Ratios - Last Ten Fiscal Years B-164

mGO Certified Public Accountants

Independent Auditor's Report

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Los Angeles County Development Authority (LACDA) (discretely presented component unit), the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) (discretely presented component unit) and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net position/fund balances, and revenues/additions of the following opinion units.

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/Additions
Aggregate discretely presented component units	100%	100%	100%
Aggregate remaining fund information	70%	73%	11%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for LACDA, First 5 LA, and LACERA is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Fire Protection District, Flood Control District, LA County Library, Regional Park and Open Space District, and Mental Health Services Act for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the County's proportionate share of the net pension liability and related ratios, the schedule of County's pension contributions, the schedule of the County's proportionate share of the net RHC OPEB liability, the schedule of County's RHC OPEB contributions and the schedule of changes in the total LTD OPEB liability and related ratios as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

Los Angeles, California
December 13, 2019

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the year ended June 30, 2019. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net position (total assets and deferred outflows of resources, reduced by total liabilities and deferred inflows of resources) of the County was negative $13.492 billion. Net position is classified into three categories and the unrestricted component is negative $34.718 billion.

During the current year, the County's net position increased by $26 million. Net position related to governmental activities increased by $261 million, while net position related to business-type activities decreased by $235 million.

At the end of the current year, the County's General Fund reported a total fund balance of $4.434 billion. The fund balance categories and amounts consisted of nonspendable fund balance of $312 million, restricted fund balance of $79 million, committed fund balance of $780 million, assigned fund balance of $621 million, and $2.642 billion of unassigned fund balance.

The County's capital asset balances were $19.743 billion at year-end and increased by $225 million during the year.

During the current year, the County's total long-term debt increased by $514 million. Newly issued and accreted long-term debt of $942 million was more than the long-term debt maturities of $428 million.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all County assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources, which represent net position. Over time, increases and decreases in net position may serve as an indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how the County's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that affect cash flows in future periods. For example, property tax revenues have been recorded that have been earned but not yet collected and pension and Other Postemployment Benefits (OPEB) expenses have been accrued but not yet paid.

The government-wide financial statements report the following different types of programs or activities:

- Governmental Activities - The majority of County services are reported under this category. Taxes and intergovernmental revenues are the major revenue sources that fund these activities, which include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and cultural services, and interest on long-term debt.

- Business-type Activities - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, and the Aviation Funds represent the County's business activities.

- Discretely Presented Component Units - Component units are separate entities for which the County is financially accountable. The Los Angeles County Development Authority (formerly referred to as the "Community Development Commission") and First 5 LA are displayed as discretely presented in the financial statements.

FUND FINANCIAL STATEMENTS

The fund financial statements contain information regarding major individual funds. A fund is a fiscal and accounting entity with a balanced set of accounts. The County uses separate funds to ensure compliance with fiscal and legal requirements.

The County's funds are classified into the following three categories:

- Governmental Funds - These funds are used to account for essentially the same services that were previously described as governmental activities above. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Governmental funds include the General Fund, as well as Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds.

- Proprietary Funds - These funds are used to account for functions that are classified as "business-type activities" in the government-wide financial statements. The County's Internal Service Funds are also reported within the proprietary fund section. The County's four Hospital Funds and Waterworks Funds are all considered major funds for presentation purposes. There is one nonmajor enterprise fund (Aviation Funds) and it is displayed with the other major enterprise funds.

- Fiduciary Funds - These funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the County's programs. The Pension and Other Postemployment Benefit Trust Funds, the Investment Trust Funds, and Agency Funds are reported in this fund category, using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's proportionate share of the net pension liability and related ratios, the County's contributions to pension benefits, the County's proportionate share of the net Retiree Healthcare OPEB Liability, the County's contributions to OPEB, and the schedule of changes in the total Long-Term Disability OPEB liability and related ratios.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $13.492 billion at the close of the most recent fiscal year.

Summary of Net Position
As of June 30, 2019 and 2018 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 12,857,626	$ 11,472,818	$ 2,638,388	$ 2,629,318	$ 15,496,014	$ 14,102,136
Capital assets	16,676,242	16,271,623	3,067,230	3,247,254	19,743,472	19,518,877
Total assets	29,533,868	27,744,441	5,705,618	5,876,572	35,239,486	33,621,013
Deferred outflows of resources	4,991,057	4,387,213	833,848	793,005	5,824,905	5,180,218
Current and other liabilities	3,414,482	3,139,671	643,334	553,750	4,057,816	3,693,421
Long-term liabilities	36,141,322	37,194,272	8,039,108	8,549,718	44,180,430	45,743,990
Total liabilities	39,555,804	40,333,943	8,682,442	9,103,468	48,238,246	49,437,411
Deferred inflows of resources	5,357,831	2,447,435	960,494	434,369	6,318,325	2,881,804
Net position:						
Net investment in capital assets	15,166,340	14,984,847	2,109,416	2,320,256	17,275,756	17,305,103
Restricted	3,811,405	3,524,215	138,686	134,647	3,950,091	3,658,862
Unrestricted (deficit)	(29,366,455)	(29,158,786)	(5,351,572)	(5,323,163)	(34,718,027)	(34,481,949)
Total net position	$ (10,388,710)	$ (10,649,724)	$ (3,103,470)	$ (2,868,260)	$ (13,492,180)	$ (13,517,984)

Significant changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources included the following:

Current and Other Assets

Current and other assets increased by $1.385 billion for governmental activities and by $9 million for business-type activities. For governmental activities, there was an increase of $276 million in Other investments, largely due to the unspent bonds proceeds held by the Public Buildings outside trustee, over the prior year. Other receivables increased by $529 million, as the Other receivables for the County's General Fund were higher by $496 million from the prior year. On July 1, 2018, the County restructured the ambulatory care services previously provided by the County hospitals and increased the receivables related to ambulatory care services by $374 million. In addition, the public social services program receivables increased by $112 million due to higher year-end revenue accruals . Changes from Internal balances of $505 million had the effect of increasing assets for governmental activities and reducing assets for business-type activities by like amounts. This change was primarily associated with a $507 million increase in cash flow advances from governmental activities (the County's General Fund) to the business-type activities (the County's Hospitals).

For business-type activities, current and other assets increased by $9 million. The business-type activities accounts receivable and other receivables were higher by $202 million and $313 million, respectively, over the prior year. The increases were primarily attributable to higher receivables associated with the Quality Incentive Program (QIP) and Enhanced Payment Program (EPP) at the hospitals. This was offset by the change from the Internal balances of $507 million, as mentioned above.

Deferred Outflows of Resources

In the current year, the County's deferred outflows of resources balances were $5.825 billion. The deferred outflows of resources were $4.991 billion and $834 million for governmental and business-type activities, respectively. The total deferred outflows of resources amounts and net increases of $645 million were mostly related to pension and OPEB. The total OPEB related deferred outflows increased by $530 million and $33 million for governmental and business-type activities, respectively, from the prior year. The total pension related deferred outflows increased by $75 million and $7 million for governmental and business-type activities, respectively, from the prior year. These amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion, as required by GASB 68 and GASB 75.

Liabilities

Current and other liabilities increased by $275 million for governmental activities. There was an increase of $114 million in accounts payable for amounts owed for the year-end expenditure accruals. In addition, advances payable increased by $81 million, largely due to higher advances for health, mental health, public protection and social services programs. Accrued payroll was higher by $25 million due to increases in amounts owed for the year-end payroll accruals. For business-type activities, a net increase of $90 million in current and other liabilities was largely associated with increases in accounts payable for the hospitals.

Liabilities-Continued

Long-term liabilities decreased by $1.053 billion for governmental activities and by $511 million for business-type activities. Net OPEB liabilities significantly decreased by $1.371 billion for governmental and $312 million for business-type activities, respectively. The decrease in the Net OPEB liability was a result of an increase to the discount rate resulting from the prefunding of the OPEB liability. Net pension liabilities decreased in the current year by $443 million and $61 million for governmental and business-type activities, respectively, which was due to the investment earnings being higher than the actuarial assumptions. For governmental activities, liabilities for bonds payable, notes, loans, workers' compensation and compensated absences were higher by $687 million. For business-type activities, amounts owed to third party payors by the County's hospitals were lower by $184 million as discussed in Note 14. Specific disclosures related to pension liabilities, OPEB liabilities, and other changes in long-term liabilities are discussed and referenced in Notes 8, 9, and 11 to the basic financial statements, respectively.

Deferred Inflows of Resources

In the current year, the County's deferred inflows of resources were $6.318 billion. Deferred inflows of resources increased by $2.910 billion and $526 million for governmental and business-type activities, respectively. The increase in deferred inflows of resources of $3.436 billion was mostly related to OPEB. The OPEB and pension changes in deferred inflows of resources will vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion. The total OPEB related deferred inflows increased by $2.593 billion and $484 million for governmental and business-type activities, respectively, from the prior year. Pension related deferred inflows of resources increased by $322 million and $43 million for governmental and business-type activities, respectively. Pension and OPEB matters are discussed in more detail in Note 8 and 9, respectively, to the basic financial statements.

For service concession arrangements, there were also $83 million of deferred inflows of resources recognized in the current year, which represents a decrease of $4 million from the prior year. This amount represents the present value of installment payments associated with private operators of twenty County golf courses, as discussed in Note 7 to the basic financial statements.

The County's total net position consists of the following three components:

Net Investment in Capital Assets

The largest portion of the County's net position, $17.276 billion, represents its investment in capital assets (i.e., land, buildings and improvements, infrastructure, software and equipment, net of related depreciation), less any related debt and related deferred outflows of resources used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position

The County's restricted net position at year-end was $3.950 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net position that pertains to the various separate legal entities included in the basic financial statements is also generally restricted because the entities' funding sources require that funds be used for specific purposes.

Unrestricted Net Position (Deficit)

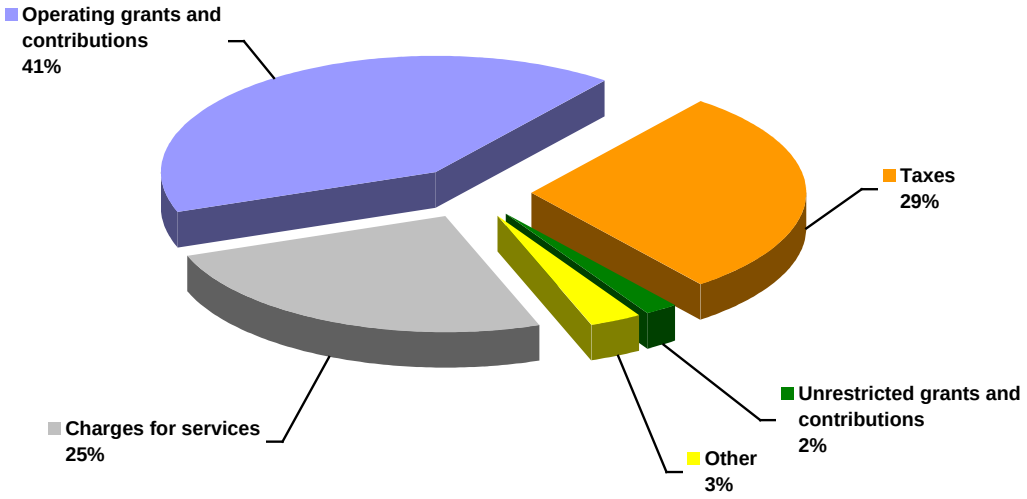
The County's total unrestricted net position is negative $34.718 billion. Both governmental and business-type activities reported deficits in this category of $29.366 billion and $5.352 billion, respectively. OPEB related liabilities of $24.639 billion, along with pension liabilities totaling $10.345 billion, continued to be the most significant factors associated with the reported deficits.

The following table details and identifies changes in net position for governmental and business-type activities:

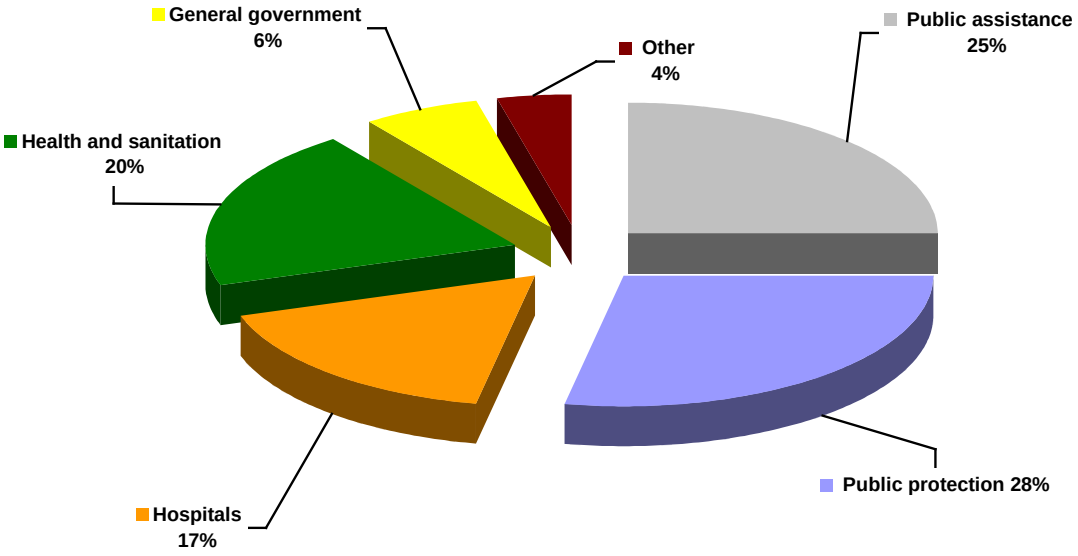
Summary of Changes in Net Position
For the Years Ended June 30, 2019 and 2018
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 3,680,145	$ 2,861,290	$ 3,526,524	$ 4,155,049	$ 7,206,669	$ 7,016,339
Operating grants and contributions	10,719,454	10,263,315	488,087	651,303	11,207,541	10,914,618
Capital grants and contributions	72,955	26,310	3,850	8,291	76,805	34,601
General revenues:						
Taxes	8,184,940	7,475,813	6,504	6,013	8,191,444	7,481,826
Unrestricted grants and contributions	473,800	433,799	32		473,832	433,799
Investment earnings	380,361	101,730	6,600	675	386,961	102,405
Miscellaneous	269,931	149,384	36	110	269,967	149,494
Total revenues	23,781,586	21,311,641	4,031,633	4,821,441	27,813,219	26,133,082
Expenses:						
General government	1,660,335	1,579,367			1,660,335	1,579,367
Public protection	7,772,364	7,841,468			7,772,364	7,841,468
Public ways and facilities	453,758	415,805			453,758	415,805
Health and sanitation	5,433,924	4,307,099			5,433,924	4,307,099
Public assistance	6,922,346	6,693,008			6,922,346	6,693,008
Education	161,012	160,097			161,012	160,097
Recreation and cultural services	320,838	487,173			320,838	487,173
Interest on long-term debt	124,549	106,425			124,549	106,425
Hospitals			4,827,429	5,370,965	4,827,429	5,370,965
Waterworks			104,906	95,301	104,906	95,301
Aviation			5,954	11,148	5,954	11,148
Total expenses	22,849,126	21,590,442	4,938,289	5,477,414	27,787,415	27,067,856
Excess (deficiency) before transfers	932,460	(278,801)	(906,656)	(655,973)	25,804	(934,774)
Transfers	(671,446)	(747,863)	671,446	747,863		
Change in net position	261,014	(1,026,664)	(235,210)	91,890	25,804	(934,774)
Net position - beginning	(10,649,724)	(9,623,060)	(2,868,260)	(2,960,150)	(13,517,984)	(12,583,210)
Net position - ending	$ (10,388,710)	$ (10,649,724)	$ (3,103,470)	$ (2,868,260)	$ (13,492,180)	$ (13,517,984)

REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019



EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019



Governmental Activities

Revenues from governmental activities increased by $2.470 billion (11.6%) when compared with the prior year. The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from charges for services increased by $819 million. The increase was primarily attributable to charges for services for health and sanitation programs which grew by $844 million. As previously discussed, the County restructured the ambulatory care services previously provided by the County hospitals and shifted the revenues from charges for services of $605 million to the governmental activities. The ambulatory care services were restructured to provide better management oversight and operational efficiencies. Also, the Global Payment Program (GPP) revenue increased by $119 million from the prior year for health services programs in the General Fund.

- Taxes, the County's largest general revenue source, were $709 million higher than the prior year and were mostly attributable to an increase in property taxes and sales and use tax, which grew by $481 million and $151 million, respectively. The County's total taxable assessed property tax value is $1.530 trillion, which grew by 6.6% in the current year. Property tax revenues were also recognized in conjunction with the dissolution of redevelopment agencies. "Pass through" payments from redevelopment dissolution were $136 million and increased by $27 million from the prior year. Redevelopment dissolution also provides residual property taxes to local governments, including the County. The County's share of such residual tax revenues in the current year was $290 million, an increase of $51 million compared to the prior year. Revenues also grew by $142 million from the Homeless and Housing Measure H program sales and use taxes.

- Program revenues recognized from operating grants and contributions increased by $456 million. Revenues for public assistance programs grew by $188 million as there were higher levels of administrative and program costs which are primarily funded from federal and State reimbursement. For health and sanitation programs, there was net revenue growth of $149 million. Health services program administration revenue of $100 million was primarily associated with revenues from the Whole Person Care (WPC) program. State and federal funding for public health programs grew by $54 million. Pursuant to Assembly Bill 85 (AB85), the County is subject to State withholding of revenues known as "1991 County Health Realignment Funds." The amounts withheld are based on an assumption that County healthcare costs for the indigent population will decrease. The funds will be reconciled and trued-up two years after the fiscal year in which the amounts were withheld. For the current year, there was a net decrease of $71 million from the State Health Realignment revenues for health services from the true-ups. Revenues for public ways and facilities grew by $70 million primarily related to road projects funded from an increase in the State Road Repair and Accountability Act of 2017 (SB 1).

Expenses related to governmental activities increased by $1.259 billion (5.8%) during the current year. The most significant increase was in the area of health and sanitation expenses, where expenses increased by $1.127 billion. As previously mentioned above, $447 million of expenses from the ambulatory care services program were shifted to the governmental activities. Health services programs and mental health program expenses were higher by $162 million and $138 million, respectively, as operating and healthcare costs increased from the prior year. Public assistance expenses were higher by $229 million primarily from increased costs of $187 million for the Measure H homeless and housing assistance programs. Recreation expenses were lower by $166 million. The decrease was associated with the capital assets adjustment that was made in the prior year. Depreciation expense was $448 million in the current year, an increase of $26 million from the prior year amount of $422 million.

Business-type Activities

Revenues from business-type activities for the current year were $4.032 billion, a decrease of $790 million (16.4%) from the previous year. The most significant decrease was in charges for services and operating grants and contributions for the County's hospitals, where revenue declined by $627 million and $162 million, respectively. As previously stated, the County restructured the ambulatory care services and it reduced the County hospitals charges for services by $605 million and operating grants and contributions revenue by $31 million and shifted the revenue to the governmental activities. As discussed in Note 14 to the basic financial statements, County hospital revenues are derived from a wide range of federal and State funding sources. GPP and PRIME are components of the Medi-Cal Demonstration Project 2020, which provides federal funding to the County for health-care programs that shift the focus from hospital-based and inpatient care to outpatient, primary, and preventative care. QIP represents a new pay structure based on performance achieved on a set of clinically-established quality measures for Medi-Cal managed care enrollees.

Expenses related to business-type activities decreased from the previous year by a net total of $539 million (9.8%), and were associated primarily with the County's hospitals, where expenses declined by $544 million. Specifically, as previously stated, the County restructured the ambulatory care services and reduced the hospital expenses by $447 million and shifted the expenses to the governmental activities under health and sanitation. OPEB and Pension expenses were lower by $88 million and $46 million, respectively. For all hospital facilities, the average daily inpatient census during the current year was 1,110 patients, which was slightly lower than the 1,113 patients for the prior year.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and the Permanent Funds.

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $8.779 billion, an increase of $916 million in comparison with the prior year. Of the total fund balances, $328 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional $4.054 billion is classified as restricted, $908 million as committed, and $847 million as assigned. The remaining balance of $2.642 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were $23.511 billion, an increase of $2.319 billion (10.9%) from the previous year. Expenditures for all governmental funds in the current year were $22.326 billion, an increase of $2.185 billion (10.8%) from the previous year. In addition, other financing uses were $269 million, a decrease of $378 million (58.4%) as compared to $647 million in the prior year.

Governmental Funds-Continued

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by $539 million (13.8%). At the end of the current fiscal year, the General Fund's total fund balance was $4.434 billion. Of this amount, $312 million is classified as nonspendable, $79 million as restricted, $780 million as committed, $621 million as assigned and the remaining $2.642 billion is classified as unassigned.

General Fund revenues during the current year were $19.551 billion, an increase of $1.825 billion (10.3%) from the previous year. General Fund expenditures during the current year were $19.171 billion, an increase of $1.639 billion (9.3%) from the previous year. Other financing sources/uses-net was positive $159 million in the current year as compared to positive $50 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Charges for services increased by a total of $754 million. The significant increase of $605 million was primarily associated with the restructure of the ambulatory care services previously included in the Hospital Enterprise funds. There was also an increase of $119 million associated with the GPP administered by the health services administration program budget. The Registrar-Recorder provides election services and charges for services revenues increased by $32 million due to the an increase of special elections during the current year. The remaining variance was a net decrease of $2 million from a variety of other programs.

- Intergovernmental revenues increased by $493 million overall, and were primarily associated with State and federal revenue increases of $403 and $73 million, respectively. The State and federal revenue growth was primarily attributable to higher levels of reimbursable program and administrative costs in the children and family services programs of $122 million, health administration programs of $100 million, public health programs of $54 million, mental health programs of $38 million, ambulatory care services of $31 million, and sheriff programs of $26 million. In addition, the AB85 amount owed was less than the prior year which resulted in a $95 million increase in State realignment revenue.

- Revenues from taxes increased by $380 million and property taxes comprised $307 million of this increase which was primarily associated with growth in assessed property values. Residual property tax revenues, which are associated with redevelopment dissolution, were $243 million in the current year, or $41 million higher than the prior year. Property tax growth was also reflected in "pass through" property tax revenues, which were $39 million higher in the current year.

Governmental Funds-Continued

- General fund expenditures increased by a total of $1.639 billion, or 9.3%. Current expenditures increased by $1.639 billion, and debt service and capital outlay expenditures remained the same. The most significant increase in current expenditures was reflected in the health and sanitation programs, where expenditures grew by $1.069 billion. This was primarily due to an increase of $447 million for ambulatory care services and for mental health services. In addition, an increase of $162 million was from programs administered for health community programs and $61 million for public health programs. Public protection program costs were higher by $276 million, of which $227 million, and $19 million were associated with the departments of Sheriff and District Attorney, respectively, and $30 million was for the Diversion and Reentry program. Public assistance expenditures were higher by $241 million, of which $153 million was for salary and benefit increases and $81 million was for increased spending on public assistance payments, children and family assistance payments and the affordable housing program. General government spending increased by $31 million and was associated with an increase of $24 million for costs associated with capital improvements.

The Fire Protection District reported a year-end fund balance of $147 million, which represented a decrease of $29 million in fund balance compared to the previous year decrease of $30 million, resulting in a net difference of $ 1 million. The Fire Protection District responds to a number of major incidents and emergencies during the fiscal year. Revenues increased by $32 million, of which $49 million was related to property taxes and primarily associated with growth in assessed property values and was offset by a decline in a variety of other revenues. Expenditures were higher by $31 million, of which $53 million was related to an increase in salaries and employee benefit costs and was offset by decreases of $13 million and $8 million in services and supplies and capital asset equipment costs, respectively.

The Flood Control District reported a year-end fund balance of $488 million, which represented a decrease of $15 million in fund balance compared to the previous year increase of $33 million, resulting in a net difference of $48 million. The change in fund balance was primarily due to higher expenditures by $93 million for infrastructure improvement projects to support flood protection and water conservation. This was offset by revenues that increased by $51 million, primarily from property taxes and charges for services.

The LA County Library Fund reported a year-end fund balance of $88 million, which represented an increase of $10 million in fund balance compared to the previous year increase of $3 million, resulting in a net difference of $7 million. The increase in the change in fund balance was primarily attributable to higher property tax revenues of $6 million from the prior year. Overall, revenue was higher by $8 million and expenditures were higher by $2 million.

The Regional Park and Open Space District reported a year-end fund balance of $404 million, which represented an increase of $84 million in fund balance compared to the previous year increase of $42 million, resulting in a net difference of $42 million. The increase in the change of fund balance was primarily attributable to higher property tax revenue of $91 million from the the Safe, Clean Neighborhood Parks, Open Space, Beaches, Rivers Protection, and Water Conservation Measure A (Measure A). Measure A levied 1.5 cents annually per square foot of improved property. Overall, current year revenues were higher by $17 million and expenditures were lower by $25 million.

Governmental Funds-Continued

The Mental Health Services Act (MHSA) Special Revenue Fund reported a year-end fund balance of $938 million, which represented a decrease of $112 million in fund balance compared to no change in fund balance from the previous year. Current year revenues were higher by $26 million, primarily from an increase in State revenues, while transfers out were higher by $125 million from an increase in mental health expenditures in the General Fund. Expenditures increased by $13 million primarily to fund affordable housing projects for mental health clients.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County's principal proprietary funds consist of four hospital enterprise funds and each one is reported as a major fund. All of the aforementioned funds incurred a net loss prior to contributions and transfers.

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year as discussed in Note 15 to the basic financial statements. The amount of subsidy, per facility, ranged from $8 million for Olive View-UCLA Medical Center to $462 million for the LAC+USC Medical Center. The total subsidy amount was $632 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as "transfers in." By comparison, the total General Fund subsidy in the prior year was $530 million. During the current year, the County's hospital operations experienced higher levels of patient care revenues and operating expenses in comparison to the prior year as previously discussed.

An additional source of local funding for the Hospitals is the Health Services Measure B Special Revenue Fund (Measure B Fund). The Measure B Fund receives voter approved property taxes for trauma and emergency services. In the current year, the Measure B Fund provided transfers to the LAC+USC Medical Center ($122 million), Harbor-UCLA Medical Center ($50 million), and Olive-View UCLA Medical Center ($45 million). The total current year amount of $217 million in Measure B transfers was slightly higher by $8 million from the prior year amount of $209 million.

Waterworks Funds reported year-end net position of $790 million, which was $10 million lower than the previous year due to higher operating expenses. There were no significant operational changes during the current year. Current year operating revenues for charges for services were lower by $1 million, operating expenses were higher by $10 million, and nonoperating revenue/(expenses) were higher by $2 million.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 16 to the basic financial statements. There are approximately 180 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net increase of $161 million in the General Fund's available (unassigned) fund balance from the previous year.

Budgetary Summary - Revenues/Financing Sources

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund revenues and other financing sources (in thousands):

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive (Negative)
Taxes	$ 72,204	$ 5,978,608	$ 6,042,289	$ 63,681
Intergovernmental revenues	40,634	11,135,583	10,175,360	(960,223)
Charges for services	48,128	2,727,854	2,508,796	(219,058)
All other revenues	25,771	615,003	707,628	92,625
Other sources and transfers in	28,626	1,176,661	974,329	(202,332)
Total	$ 215,363	$ 21,633,709	$ 20,408,402	$ (1,225,307)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources were approximately $215 million. The most significant changes occurred in the following areas:

- The budget for tax revenues increased by $72 million. Of this increase, $60 million was associated with year-end budgetary changes that are designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and certain other tax related revenues.

- The estimated revenue for "Charge for Services" increased by $48 million. The increase is primarily from revenue associated with the new Voter Solutions for All People (VSAP) election system of $22 million. Also, there was in increase of $12 million in health care administration programs and $7 million in the Sheriff contract cities revenue. There were other net budget increases in charges for services of $7 million.

- Estimated intergovernmental revenues increased by $41 million. The social service and child and family programs increased the estimated State and federal revenues by $49 million. Net additions of $31 million were made to augment federal funds budgeted for the GPP and WPC program pursuant to the Medi-Cal 2020 Federal Waiver program in the health department. Budgeted intergovernmental revenues for capital projects were increased by $25 million to reflect additional grant funding. Also, an increase of $15 million was made to budgeted intergovernmental revenues associated with redevelopment dissolution successor agencies. The decrease is primarily attributable to the reduction of State Health Realignment estimated revenues of $85 million. There were other net increases to budgeted intergovernmental revenues of $6 million.

- The budget for "other sources and transfers in" increased by $29 million. Budgeted transfers in for capital projects were increased by $20 million from the nonmajor special revenue funds. Mental Health programs funded by the Mental Health Services Act Special Revenue Fund were increased by $4 million. There were net increases to budgeted "other sources and transfers in" of $5 million.

Changes from Amounts Originally Budgeted-Continued

- The budgeted "all other revenues" increased by $26 million. Budgeted revenues were increased by $15 million for tobacco settlement revenues. The remaining increases of $11 million were associated with a wide variety of revenues.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $20.408 billion. This amount was $1.225 billion, or 5.7%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues, charges for services, and "other sources and transfers in."

- Actual intergovernmental revenues were $960 million lower than the amount budgeted. Approximately $344 million was associated with social services and child and family programs, where reimbursable costs were lower than anticipated due to delays in hiring and promoting staff, reduced contractual spending for services and child care provider payments, and delays in implementing new systems. Mental health programs accounted for approximately $244 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. Budgeted intergovernmental revenues of $230 million were not realized for various capital improvements, disaster recovery programs and emergency preparedness projects, as these initiatives were not completed prior to year-end. Public health related programs experienced budgeted revenue shortfalls of $154 million, most of which was associated with federal and State grants and offset by a comparable amount of cost savings. The remaining difference of $12 million was related to a variety of other programs.

- Actual charges for services were $219 million lower than the amount budgeted. The decrease was primarily attributable to revenues associated with the GPP and services rendered to the County hospitals of $89 million. Net reductions include costs associated with public health programs which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues of $83 million. Approximately $34 million was associated with the Internal Services Department (ISD), which experienced lower that reimbursable expenditures. There were net decreases of $13 million related to a variety of other programs.

- The actual amount of "other sources and transfers in" was $202 million lower than the amount budgeted. Of this amount, mental health programs funded by the Mental Health Services Act Special Revenue Fund did not fully materialize at the budgeted level and "transfers in" were $122 million lower than budgeted. In addition, "transfers in" totaling $49 million were assumed in the budget for capital improvements and extraordinary building maintenance projects, which did not incur expected costs. Costs associated with Probation and Sheriff Department programs funded by the Other Public Protection Special Revenue Funds were $13 million less than budgeted. The "transfers in" for the housing for health program, funded by the nonmajor special revenue funds, were $10 million less than budgeted. There were various other sources and transfers that comprised the remaining variance of $8 million.

Budgetary Summary - Expenditures/Other Financing Uses

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund expenditures, transfers out, and changes in fund balance components (in thousands):

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ (187,342)	$ 2,148,163	$ 1,269,518	$ 878,645
Public protection	163,841	6,117,033	5,922,770	194,263
Health and sanitation	(45,512)	5,808,067	5,093,306	714,761
Public assistance	73,794	7,204,254	6,559,773	644,481
All other expenditures	54,593	1,439,872	600,566	839,306
Transfers out	7,721	685,649	671,633	14,016
Contingencies	20,405	58,472		58,472
Fund balance changes-net	127,863	101,531	130,328	(28,797)
Total	$ 215,363	$ 23,563,041	$ 20,247,894	$ 3,315,147

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations and fund balance component changes were approximately $215 million. The most significant changes occurred in the following areas:

- Public protection appropriations were increased by $164 million. An increase of $198 million of salaries and employee benefits were appropriated and the majority of the increase was to comply with the Ninth Circuit Court of Appeals decision on overtime. In addition, law enforcement appropriations were decreased by $50 million to provide funding for grant program and contract cities services. There were net increases of $16 million for other public protection programs.

- Net fund balance budgetary changes of $128 million had the effect of reducing the available (unassigned) fund balance component. At the end of the year, the restricted fund balance increased by $40 million for utility users' taxes that were not expended and remained obligated for programs in unincorporated areas. Committed fund balance was increased by $38 million for reserve for rainy day funds, $30 million for Tobacco Settlement funds, and $15 million for Board Budget Policies and Priorities. The remaining variance of $5 million was attributable to various other fund balance accounts.

- Public assistance appropriation increased by $74 million. An increase of $54 million of salaries and employee benefits were appropriated and the majority of the increase was to comply with the Ninth Circuit Court of Appeals decision on overtime. In addition, there was an $15 million increase in appropriation for social services programs. The remaining variance of $5 million was related to other public assistance programs.

Changes from Amounts Originally Budgeted-Continued

- General government appropriations decreased by $187 million. The decrease was largely attributable to appropriations not associated with specific County departments. Nondepartmental special accounts appropriations decreased by $134 million to fund increases in salaries and employee benefits to comply with a Ninth Circuit Court of Appeals decision on overtime. Provisional appropriations decreased by $72 million and were transferred to other functional categories to fund capital projects, jail medical services, community programs, Sheriff's litigation settlements and unspent User Utility Tax funds to obligated fund balance. In addition, $12 million shifted funds for extraordinary maintenance to capital projects. This was offset by an increase of appropriations of $12 million to the Registar-Recorder to fund the VSAP election system. There were net increases of $19 million for other general governmental programs.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $3.315 billion lower (14.1%) than the final total budget of $23.563 billion. There were budgetary savings in all functional expenditure categories. Following are the functional areas that recognized the largest variations from the final budget:

- The general government function reported actual expenditures that were $879 million less than the amount budgeted. Of this amount, $572 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. Salaries and employee benefits savings of $109 million were due to hiring delays and vacancies. The County's Board of Supervisors had budgetary savings of $98 million to be spent in future years for various community projects. The County's real estate budget had budgetary savings of $22 million due to lower than anticipated costs associated with various properties. The County's ISD budget had budgetary savings of $18 million due to continued implementation of the Countywide energy efficiency programs. The remaining $60 million was spread across County departments comprising general government and was mostly related to savings in the areas of services and supplies.

- The category referred to as "all other expenditures" reflected actual spending of $839 million less than the budgeted amount. Of this variance, $812 million was in the capital outlay category and was related to numerous capital improvements anticipated in the budget that remained in the planning and development stages and did not incur expenditures during the year. Most of the unused balance has been re-established in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.

- Overall expenditures for the health and sanitation category were $715 million less than the budgeted amount. Specifically, the budgetary savings of $281 million was from mental health programs, $138 million from public health programs, $137 million from the County's managed care services for the health services, and $48 million from the health services administration budget that provides support to the County's hospitals and housing for health programs. There were also $107 million from salaries and employee benefits savings and lower than anticipated costs for contracted services. The remaining variance of $4 million was due to lower than expected services and supplies and contracted costs related to other health and sanitation programs.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount-Continued

- Actual public assistance expenditures were $644 million lower than the final budget. Vendor and assistance payments for social services and children and family programs were lower than budgeted by $440 million. Administrative cost savings in these areas were due to lower than anticipated costs for professional, contracted, and information technology services and delays in hiring. There were also direct program savings associated with lower than anticipated caseloads. Salaries and employee benefits savings of $140 million were due to hiring delays and vacancies. There were $51 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance of $13 million was related to other public assistance programs.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2019 were $19.743 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation. Specific capital asset changes during the current year are presented in Note 6 to the basic financial statements.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was $225 million as shown in the following table.

Changes in Capital Assets, Net of Depreciation
Primary Government - All Activities
(in thousands)

	Current Year	Prior Year	Increase (Decrease)
Land and easements	$ 7,632,374	$ 7,595,597	$ 36,777
Buildings and improvements	5,629,127	5,531,749	97,378
Infrastructure	4,279,689	4,421,159	(141,470)
Equipment	661,062	645,853	15,209
Software	238,719	275,010	(36,291)
Capital assets, in progress	1,302,501	1,049,509	252,992
Total	$ 19,743,472	$ 19,518,877	$ 224,595

The most significant increase was in Capital assets, in progress, which increased by $253 million. The County's major capital asset initiatives during the current year continued to focus on new facilities and major improvements. For governmental activities, the major capital asset projects were for recreation and cultural services of $153 million, health and sanitation of $75 million, and public protection of $42 million. The governmental activities major projects included the Los Angeles County Museum of Art Building for the Permanent Collection project and the Music Center Plaza renovation, Mental Health Treatment Center, and the Vermont Corridor County Administration Building project.

For business-type activities, major construction in progress was $27 million at the Rancho Los Amigos National Rehabilitation Center for various projects, including the Support Services Annex Building Renovation and Seismic Retrofit projects. There was also $24 million of capitalized construction-in-progress costs at Harbor-UCLA Medical Center for various projects, including the new Outpatient/Support Building. In addition, there was capitalized software-in-progress costs of $23 million for the Assessor's Modernization Project Phase 3 and $19 million for the Registrar-Recorder/County Clerk's VSAP election system project.

Buildings and improvements increased by $97 million. Various projects were completed during the fiscal year, including the Rancho Los Amigos National Rehabilitation Center's New Outpatient Facilities, with a net book value of $101 million, the Martin Luther King, Jr. New Parking Structure, with a net book value of $39 million, the 3965 S. Vermont Avenue Renovation for Probation, with a net book value of $26 million, and the Sheila Kuehl Family Wellness Center, with a net book value of $12 million. As of June 30, 2019, there were $76 million of capital asset commitments outstanding.

Debt Administration

During the current year, the County's liabilities for long-term debt, including accreted interest, increased by $514 million, as newly issued debt and accretions of $942 million were more than the debt maturities of $428 million. Specific changes related to governmental and business-type activities are presented in Note 11 to the basic financial statements.

During the current year, significant long-term debt transactions were as follows:

- Lease Revenue Obligation Notes (LRON) of $562 million were issued for governmental and business-type activities in the amounts of $239 million and $323 million, respectively. For governmental activities, debt was issued to finance a renovation for a probation facility, parking lot and a new museum of art building. For business-type activities, debt was issued to finance hospital improvements.

- New debt of $347 million (including bond premium proceeds) was issued to finance the construction of the Vermont Corridor County Administration Building and parking structure.

- New debt of $30 million was issued to finance the acquisition of equipment for governmental activities. Equipment debt totaling $20 million was redeemed during the year in accordance with maturity schedules.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $700 million in tax and revenue anticipation notes.

The notes matured and were redeemed on June 28, 2019. The General Fund also relied upon periodic borrowing from available agency funds.

Bond Ratings

The County's debt is rated by Moody's, Standard & Poor's, and Fitch. The following is a schedule of ratings assigned by the respective rating agencies:

	Moody's	Standard & Poor's	Fitch
Certificates of Participation	Aa3	AA	AA
Equipment/Non-Essential Leases	Aa2	AA	AA
Operating/Non-Essential Leases	Aa2	AA	AA
Short-Term	MIG1	SP-1+	F1+
Regional Park and Open Space District Bonds	Aa1	AA	AAA

The County's bond ratings assigned by Fitch for General Obligation Bonds, Certificates of Participation (formerly referred as "Facilities"), Equipment Lease Revenue, and Operating Leases were upgraded from the previous year.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2019-2020 Budget on June 24, 2019. The Budget was adopted based on estimated fund balances that would be available at the end of 2018-2019. The Board updated the Budget on October 1, 2019 to reflect final 2018-2019 fund balances and other pertinent financial information. For the County's General Fund, the 2019-2020 Budget utilized $2.090 billion of fund balance, which exceeded the previously estimated fund balance of $1.654 billion. Of the additional fund balance of $436 million, $203 million was used to carryover lapsed appropriations and ensure the continuity of funded program initiatives. The remaining $233 million was primarily used to fund programs for fighting homeless and increasing affordable housing, investing in children, families, and seniors, innovation and growth in health care, fostering arts and culture, advancing information technology initiatives, enhancing public safety, increasing consumer protection, and investing in public assets.

The County's 2019-2020 Budget reflects the County's values and vision, along with its ambitious commitment to improving life for all County residents, especially the vulnerable and under-served. The projects and programs reflects the budget for funding to advance key priorities of fighting homelessness, promoting health and well-being, improving our justice system, championing the rights and needs of immigrants, creating better lives for children and families, and enriching communities through the arts, recreation, and sustainability. The County's budget continues to reflect the County's long-standing commitment to responsible and sustainable fiscal practices. The County has experienced slow and steady growth in the economy and has a positive outlook for the remainder of 2019 and into 2020 year. The County has taken steps to address long-term budget issues by approving a multi-year plan to prefund retiree healthcare benefits and increasing the County's "Rainy Day Reserve" to $602 million. Looking forward, there are some long-term budgetary issues which will require significant investments and may require a multi-year funding approach related to the expiration of the Title IV-E Waiver, VSAP Election system, Information Technology Systems Replacements, the Facility Reinvestment program, Pensions, OPEB, and Stormwater and Urban Runoff. The County's budget also anticipates uncertainty with budget proposals from both the federal and State governments that could create significant short and long-term budget challenges for the County.

The County's budget outlook, while favorable, continues to be influenced by the fiscal condition and outlook of the State of California. In this regard, the State Legislative Analyst's Office (LAO) reports the California's budget continues to be in a good position for FY 2020-2021. The State projects to have sufficient resources to pay for its existing commitments and estimates to have a surplus for FY 2020-2021. In addition, the State continues to add additional funds to the State's rainy day fund. For the longer term, the State should conservatively allocate its available surplus and focus on one-time, flexible commitments that can be changed mid-year if economic conditions change. The State's outlook is subject to either continuing economic growth or a recession. With a continuing growing economy, the operating surplus will increase, but will decline over time. In the recession scenario, the State has enough reserve to cover its deficit for the outlook period. Health and human services programs are subject to considerable challenges and uncertainty as the State depends on information from the federal government or State executive branch.

The County receives substantial federal revenues and operates many programs which are subject to federal rules and regulations. Federal assistance is especially critical to the County's ability to operate its four County hospitals and health care network. The County is carefully monitoring State and federal policy developments to determine the future impacts, if any, on its ability to administer federal programs and deliver County services that rely upon federal funding. In addition, no update has been received regarding the State audit that questioned California Medical Assistance Program payments. The findings of the audit included $2.1 billion in overpayments related to Los Angeles County beneficiaries. The financial impact, if any, in future years to the County has yet to be quantified.

Obtaining Additional Information

This financial report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-3873.

COUNTY OF LOS ANGELES

CALIFORNIA

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
JUNE 30, 2019 (in thousands)

	PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 6,300,767	164,202	$ 6,464,969	$ 490,662
Other	2,382,605	30,563	2,413,168	
Total pooled cash and investments	8,683,372	194,765	8,878,137	490,662
Other investments (Notes 4 and 5)	329,100		329,100	420,934
Taxes receivable	263,366	727	264,093	
Accounts receivable - net (Note 14)		2,443,417	2,443,417	22,884
Interest receivable	34,815	592	35,407	608
Other receivables	2,795,886	521,662	3,317,548	33,899
Internal balances (Note 15)	661,023	(661,023)		
Inventories	82,165	25,114	107,279	13,976
Restricted assets (Note 5)	7,899	113,134	121,033	
Capital assets: (Notes 1, 6 and 10)				
Capital assets, not being depreciated	8,470,128	464,747	8,934,875	94,378
Capital assets, net of accumulated depreciation	8,206,114	2,602,483	10,808,597	88,882
Total capital assets	16,676,242	3,067,230	19,743,472	183,260
TOTAL ASSETS	29,533,868	5,705,618	35,239,486	1,166,223
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	4,991,057	833,848	5,824,905	12,277
LIABILITIES				
Accounts payable	773,068	509,640	1,282,708	51,181
Accrued payroll	515,144	97,979	613,123	
Other payables	171,657	12,868	184,525	7,273
Accrued interest payable	20,079	18,444	38,523	
Advances payable	1,934,534	4,403	1,938,937	5,775
Long-term liabilities: (Note 11)				
Due within one year	1,126,293	426,382	1,552,675	4,705
Due in more than one year	35,015,029	7,612,726	42,627,755	85,220
TOTAL LIABILITIES	39,555,804	8,682,442	48,238,246	154,154
DEFERRED INFLOWS OF RESOURCES (Note 20)	5,357,831	960,494	6,318,325	3,300
NET POSITION				
Net investment in capital assets	15,166,340	2,109,416	17,275,756	141,576
Restricted for:				
Capital projects	43,950		43,950	
Debt service	269,731	16,998	286,729	363
Permanent funds - nonspendable	2,145		2,145	
Permanent funds - spendable	132		132	
General government	311,958		311,958	
Public protection	1,051,404		1,051,404	
Public ways and facilities	367,055	121,688	488,743	
Health and sanitation	1,203,900		1,203,900	
Recreation	407,713		407,713	
Community development				463,672
First 5 LA				364,339
Other	153,417		153,417	
Unrestricted (deficit)	(29,366,455)	(5,351,572)	(34,718,027)	51,096
TOTAL NET POSITION (DEFICIT) (Note 3)	$ (10,388,710)	(3,103,470)	$ (13,492,180)	$ 1,021,046

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

FUNCTIONS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	$ 1,660,335	570,425	54,159	8,243
Public protection	7,772,364	1,281,280	1,682,689	62,952
Public ways and facilities	453,758	26,882	283,007	
Health and sanitation	5,433,924	1,606,315	3,016,694	
Public assistance	6,922,346	18,460	5,680,991	
Education	161,012	16,672	105	
Recreation and cultural services	320,838	160,111	1,809	1,760
Interest on long-term debt	124,549			
Total governmental activities	22,849,126	3,680,145	10,719,454	72,955
Business-type activities:				
Hospitals	4,827,429	3,437,056	486,589	
Waterworks	104,906	84,748	1,458	56
Aviation	5,954	4,720	40	3,794
Total business-type activities	4,938,289	3,526,524	488,087	3,850
Total primary government	$ 27,787,415	7,206,669	11,207,541	76,805
DISCRETELY PRESENTED COMPONENT UNITS	$ 648,734	28,096	695,644	5,912

GENERAL REVENUES:
- Taxes:
  - Property taxes
  - Utility users taxes
  - Voter approved taxes
  - Documentary transfer taxes
  - Other taxes
- Sales and use taxes, levied by the State
- Grants and contributions not restricted to special programs
- Investment income
- Miscellaneous

TRANSFERS - NET

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION (DEFICIT), JULY 1, 2018

NET POSITION (DEFICIT), JUNE 30, 2019

The notes to the basic financial statements are an integral part of this statement.

NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION				
PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL		FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (1,027,508)		$ (1,027,508)		General government
(4,745,443)		(4,745,443)		Public protection
(143,869)		(143,869)		Public ways and facilities
(810,915)		(810,915)		Health and sanitation
(1,222,895)		(1,222,895)		Public assistance
(144,235)		(144,235)		Education
(157,158)		(157,158)		Recreation and cultural services
(124,549)		(124,549)		Interest on long-term debt
(8,376,572)		(8,376,572)		Total governmental activities
				Business-type activities:
	(903,784)	(903,784)		Hospitals
	(18,644)	(18,644)		Waterworks
	2,600	2,600		Aviation
	(919,828)	(919,828)		Total business-type activities
(8,376,572)	(919,828)	(9,296,400)		Total primary government
			$ 80,918	DISCRETELY PRESENTED COMPONENT UNITS
				GENERAL REVENUES:
				Taxes:
7,008,569	6,504	7,015,073		Property taxes
44,604		44,604		Utility users taxes
463,450		463,450		Voter approved taxes
87,899		87,899		Documentary transfer taxes
39,160		39,160		Other taxes
541,258		541,258		Sales and use taxes, levied by the State
473,800	32	473,832		Grants and contributions not restricted to special programs
380,361	6,600	386,961	21,286	Investment income
269,931	36	269,967	1,684	Miscellaneous
(671,446)	671,446			TRANSFERS - NET
8,637,586	684,618	9,322,204	22,970	Total general revenues and transfers
261,014	(235,210)	25,804	103,888	CHANGE IN NET POSITION
(10,649,724)	(2,868,260)	(13,517,984)	917,158	NET POSITION (DEFICIT), JULY 1, 2018
$ (10,388,710)	(3,103,470)	$ (13,492,180)	$ 1,021,046	NET POSITION (DEFICIT), JUNE 30, 2019

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	LA COUNTY LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
ASSETS					
Pooled cash and investments: (Notes 1 and 5)					
Operating	$ 1,955,388	130,466	565,919	85,714	404,498
Other	2,278,710	17,711	18,004	1,900	2,055
Total pooled cash and investments	4,234,098	148,177	583,923	87,614	406,553
Other investments (Notes 4 and 5)	3,973			117	
Taxes receivable	190,819	41,404	12,316	6,301	2,048
Interest receivable	22,507	419	1,586	245	1,092
Other receivables	2,444,339	46,595	2,437	1,696	3,277
Due from other funds (Note 15)	757,525	5,553	17,253	7,909	128
Advances to other funds (Note 15)	634,848		6,339		
Inventories	58,050	13,229	1	664	
TOTAL ASSETS	8,346,159	255,377	623,855	104,546	413,098
DEFERRED OUTFLOWS OF RESOURCES (Note 20)					
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 8,346,159	255,377	623,855	104,546	413,098
LIABILITIES					
Accounts payable	$ 636,560	4,928	14,346	2,943	616
Accrued payroll	445,506	43,449		4,802	
Other payables	165,114	2,970		604	
Due to other funds (Note 15)	212,300	18,832	47,188	4,090	5,321
Advances payable	1,812,610		66,173		
Third party payor (Notes 11 and 14)	56,297				
TOTAL LIABILITIES	3,328,387	70,179	127,707	12,439	5,937
DEFERRED INFLOWS OF RESOURCES (Note 20)	583,763	38,070	8,539	4,558	3,098
FUND BALANCES (Note 21)					
Nonspendable	311,958	13,229	1	664	
Restricted	79,210	133,899	487,509	21,495	404,063
Committed	780,517				
Assigned	620,773		99	65,390	
Unassigned	2,641,551				
TOTAL FUND BALANCES	4,434,009	147,128	487,609	87,549	404,063
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 8,346,159	255,377	623,855	104,546	413,098

The notes to the basic financial statements are an integral part of this statement.

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS
				Pooled cash and investments: (Notes 1 and 5)
$ 1,195,634	1,923,540		$ 6,261,159	Operating
1,999	53,014		2,373,393	Other
1,197,633	1,976,554		8,634,552	Total pooled cash and investments
	338,630	(13,620)	329,100	Other investments (Notes 4 and 5)
	10,478		263,366	Taxes receivable
3,277	5,372		34,498	Interest receivable
	189,535		2,687,879	Other receivables
17,281	43,438		849,087	Due from other funds (Note 15)
	11,232		652,419	Advances to other funds (Note 15)
	1		71,945	Inventories
1,218,191	2,575,240	(13,620)	13,522,846	TOTAL ASSETS
	217,518		217,518	DEFERRED OUTFLOWS OF RESOURCES (Note 20)
$ 1,218,191	2,792,758	(13,620)	$ 13,740,364	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
				LIABILITIES
$	103,549		$ 762,942	Accounts payable
	87		493,844	Accrued payroll
			168,688	Other payables
279,696	328,060		895,487	Due to other funds (Note 15)
	55,448		1,934,231	Advances payable
	246		56,543	Third party payor (Notes 11 and 14)
279,696	487,390		4,311,735	TOTAL LIABILITIES
	11,758		649,786	DEFERRED INFLOWS OF RESOURCES (Note 20)
				FUND BALANCES (Note 21)
	2,146		327,998	Nonspendable
938,495	2,002,656	(13,620)	4,053,707	Restricted
	127,829		908,346	Committed
	160,979		847,241	Assigned
			2,641,551	Unassigned
938,495	2,293,610	(13,620)	8,778,843	TOTAL FUND BALANCES
$ 1,218,191	2,792,758	(13,620)	$ 13,740,364	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019 (in thousands)

Fund balances - total governmental funds (page 29)		$ 8,778,843
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported in governmental funds:		
Land and easements	$ 7,465,808	
Construction-in-progress	1,004,320	
Buildings and improvements - net	3,813,269	
Equipment - net	381,179	
Intangible software - net	222,564	
Infrastructure - net	3,646,888	16,534,028
Deferred outflows and inflows of resources reported in the statement of net position, but not recognized in the governmental funds:		
Deferred outflows from losses on refunding of debt	$ 14,452	
Deferred outflows from OPEB	1,201,924	
Deferred outflows from pension	3,601,401	
Deferred inflows from service concession arrangements	(82,853)	
Deferred inflows from OPEB	(3,935,542)	
Deferred inflows from pension	(1,135,407)	(336,025)
Deferred outflows and inflows of resources reported in the balance sheet, but not recognized in the statement of net position:		
Deferred outflows from tobacco settlement revenues	$ (217,518)	
Deferred inflows from tobacco settlement revenues	217,518	
Deferred inflows from property taxes	183,517	
Deferred inflows from long-term receivables	248,751	432,268
Other long-term asset transactions are not available for the current period and are not recognized in governmental funds:		
Payables and receivables related to capital assets	$ 16,079	
Accrued interest on long-term receivables	165	16,244
Installment receivables from service concession arrangements.		82,853
Accrued interest payable is not recognized in governmental funds.		(19,302)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes	$ (1,760,910)	
Unamortized premiums on bonds and notes	(124,277)	
Accreted interest on bonds and notes	(143,725)	
Capital lease obligations	(156,887)	
Accrued compensated absences	(1,598,645)	
Workers' compensation	(2,572,791)	
Litigation and self-insurance	(264,324)	
Pollution remediation obligations	(44,112)	
Net pension liability	(8,446,386)	
Net OPEB liability	(19,566,774)	
Third party payor liability	(22,947)	(34,701,778)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position.		(1,175,841)
Net position (deficit) of governmental activities (page 25)		$(10,388,710)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	LA COUNTY LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
REVENUES					
Taxes	$ 6,034,742	901,130	159,233	97,670	90,599
Licenses, permits and franchises	63,538	16,848	1,168		
Fines, forfeitures and penalties	187,979	2,428	803	374	515
Revenue from use of money and property:					
Investment income (Note 5)	238,811	3,236	18,783	2,603	11,368
Rents and concessions (Note 10)	127,240	101	6,522	14	
Royalties	65		754		
Intergovernmental revenues:					
Federal	3,943,338	1,862	86	40	
State	6,228,635	17,068	5,286	465	
Other	52,374	1,294	646	267	
Charges for services	2,505,049	210,307	133,555	15,799	28,393
Miscellaneous	169,320	2,927	309	1,245	111
TOTAL REVENUES	19,551,091	1,157,201	327,145	118,477	130,986
EXPENDITURES					
Current:					
General government	1,284,824				
Public protection	5,893,865	1,216,700	334,319		
Public ways and facilities					
Health and sanitation	5,065,138				
Public assistance	6,501,712				
Education				152,112	
Recreation and cultural services	386,217				46,949
Debt service:					
Principal	8,108	115		34	
Interest and other charges	29,411	426		23	
Capital outlay	1,586				
TOTAL EXPENDITURES	19,170,861	1,217,241	334,319	152,169	46,949
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	380,230	(60,040)	(7,174)	(33,692)	84,037
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 15)	977,789	39,272		47,751	
Transfers out (Note 15)	(822,556)	(7,874)	(7,918)	(3,936)	
Issuance of debt (Note 11)					
Bond premium proceeds (Note 11)					
Capital leases (Note 10)	1,586				
Sales of capital assets	1,769	115	309	13	
TOTAL OTHER FINANCING SOURCES (USES)	158,588	31,513	(7,609)	43,828	
NET CHANGE IN FUND BALANCES	538,818	(28,527)	(14,783)	10,136	84,037
FUND BALANCES, JULY 1, 2018	3,895,191	175,655	502,392	77,413	320,026
FUND BALANCES, JUNE 30, 2019	$ 4,434,009	147,128	487,609	87,549	404,063

The notes to the basic financial statements are an integral part of this statement.

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				REVENUES
$	790,054		$ 8,073,428	Taxes
	20,811		102,365	Licenses, permits and franchises
	44,512		236,611	Fines, forfeitures and penalties
				Revenue from use of money and property:
41,489	63,998	(1,039)	379,249	Investment income (Note 5)
	27,895		161,772	Rents and concessions (Note 10)
	5		824	Royalties
				Intergovernmental revenues:
	24,024		3,969,350	Federal
555,104	321,354		7,127,912	State
	15,297		69,878	Other
	144,526		3,037,629	Charges for services
	177,642		351,554	Miscellaneous
596,593	1,630,118	(1,039)	23,510,572	TOTAL REVENUES
				EXPENDITURES
				Current:
	14,581		1,299,405	General government
	69,534		7,514,418	Public protection
	406,019		406,019	Public ways and facilities
65,266	172,265		5,302,669	Health and sanitation
	206,805		6,708,517	Public assistance
			152,112	Education
	8,475		441,641	Recreation and cultural services
				Debt service:
	138,923	(12,955)	134,225	Principal
	100,777	(1,039)	129,598	Interest and other charges
	235,466		237,052	Capital outlay
65,266	1,352,845	(13,994)	22,325,656	TOTAL EXPENDITURES
531,327	277,273	12,955	1,184,916	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES)
	493,564		1,558,376	Transfers in (Note 15)
(643,721)	(932,187)		(2,418,192)	Transfers out (Note 15)
	541,555		541,555	Issuance of debt (Note 11)
	44,179		44,179	Bond premium proceeds (Note 11)
			1,586	Capital leases (Note 10)
	912		3,118	Sales of capital assets
(643,721)	148,023		(269,378)	TOTAL OTHER FINANCING SOURCES (USES)
(112,394)	425,296	12,955	915,538	NET CHANGE IN FUND BALANCES
1,050,889	1,868,314	(26,575)	7,863,305	FUND BALANCES, JULY 1, 2018
$ 938,495	2,293,610	(13,620)	$ 8,778,843	FUND BALANCES, JUNE 30, 2019

COUNTY OF LOS ANGELES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

Net change in fund balances - total governmental funds (page 33)		$ 915,538
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditures for general capital assets, infrastructure and other related capital asset adjustments	$ 569,861	
Less - current year depreciation expense	(413,306)	156,555
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net position differs from the change in fund balance.		(2,729)
Contribution of capital assets is not recognized in the governmental funds.		64,712
Amortization of losses on refunding of debt are reported as changes to deferred outflows of resources in governmental activities, but not reported for governmental funds.		(1,476)
Changes in unavailable revenues are reported as changes in deferred inflows of resources for governmental funds, but were recognized when earned for governmental activities.		163,652
Timing differences result in more or less revenues and expenses in the statement of activities.		
Change in accrued interest on long-term receivables	$ 22	
Change in unamortized premiums	2,060	2,082
Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position.		(587,320)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Certificates of participation and bonds	$ 37,524	
Notes, loans, and lease revenue obligation notes	75,489	
Assessment bonds	12,955	
Other long-term notes, loans and capital leases	8,257	134,225
Some expenses reported in the accompanying statement of activities do not require (or provide) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in workers' compensation	$ (119,459)	
Change in litigation and self-insurance	(56,601)	
Change in pollution remediation obligations	1,910	
Change in accrued compensated absences	(100,499)	
Change in net pension liability, net of related deferred outflows of resources and deferred inflows of resources	190,350	
Change in net OPEB liability, net of related deferred outflows of resources and deferred inflows of resources	(663,275)	
Change in third party payor liability	(8,577)	
Change in accrued interest payable	(1,073)	
Change in accretion of bonds and notes	11,918	
Change in accretion of tobacco settlement bonds	(3,603)	
Transfer of capital assets between governmental fund and enterprise fund	172,601	(576,308)
The portion of internal service funds that is reported with governmental activities.		(7,917)
Change in net position of governmental activities (page 27)		$ 261,014

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 5,906,404	5,978,608	6,042,289	63,681
Licenses, permits and franchises	59,645	59,654	63,538	3,884
Fines, forfeitures and penalties	172,719	173,239	187,979	14,740
Revenue from use of money and property:				
Investment income	98,233	100,289	160,314	60,025
Rents and concessions	134,460	135,049	127,240	(7,809)
Royalties	100	100	65	(35)
Intergovernmental revenues:				
Federal	4,556,793	4,574,684	3,935,379	(639,305)
State	6,491,090	6,470,638	6,187,917	(282,721)
Other	47,066	90,261	52,064	(38,197)
Charges for services	2,679,726	2,727,854	2,508,796	(219,058)
Miscellaneous	124,075	146,672	168,492	21,820
TOTAL REVENUES	20,270,311	20,457,048	19,434,073	(1,022,975)
EXPENDITURES				
Current:				
General government	2,335,505	2,148,163	1,269,518	878,645
Public protection	5,953,192	6,117,033	5,922,770	194,263
Health and sanitation	5,853,579	5,808,067	5,093,306	714,761
Public assistance	7,130,460	7,204,254	6,559,773	644,481
Recreation and cultural services	404,485	421,895	394,770	27,125
Debt service-				
Interest	11,916	11,916	11,916	
Capital outlay	968,878	1,006,061	193,880	812,181
TOTAL EXPENDITURES	22,658,015	22,717,389	19,445,933	3,271,456
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,387,704)	(2,260,341)	(11,860)	2,248,481
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	468	468	1,769	1,301
Transfers in	1,147,567	1,176,193	972,560	(203,633)
Transfers out	(677,928)	(685,649)	(671,633)	14,016
Appropriations for contingencies	(38,067)	(58,472)		58,472
Changes in fund balance	26,332	(101,531)	(130,328)	(28,797)
TOTAL OTHER FINANCING SOURCES (USES)	458,372	331,009	172,368	(158,641)
NET CHANGE IN FUND BALANCE	(1,929,332)	(1,929,332)	160,508	2,089,840
FUND BALANCE, JULY 1, 2018 (Note 16)	1,929,332	1,929,332	1,929,332	
FUND BALANCE, JUNE 30, 2019 (Note 16)	$		2,089,840	2,089,840

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 906,091	906,091	902,212	(3,879)
Licenses, permits and franchises	14,325	15,168	16,848	1,680
Fines, forfeitures and penalties	2,180	2,351	2,428	77
Revenue from use of money and property:				
Investment income	938	1,302	1,543	241
Rents and concessions	81	81	101	20
Intergovernmental revenues:				
Federal	15,038	15,838	5,375	(10,463)
State	19,628	20,999	17,068	(3,931)
Other		267	1,294	1,027
Charges for services	212,324	217,555	211,710	(5,845)
Miscellaneous	2,634	2,646	2,927	281
TOTAL REVENUES	1,173,239	1,182,298	1,161,506	(20,792)
EXPENDITURES				
Current-Public protection:				
Salaries and employee benefits	1,021,895	1,077,746	1,063,262	14,484
Services and supplies	150,370	156,391	133,602	22,789
Other charges	7,313	8,278	6,163	2,115
Capital assets	3,480	4,389	2,524	1,865
TOTAL EXPENDITURES	1,183,058	1,246,804	1,205,551	41,253
DEFICIENCY OF REVENUES OVER EXPENDITURES	(9,819)	(64,506)	(44,045)	20,461
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	297	297	115	(182)
Transfers in	37,651	38,163	39,272	1,109
Transfers out	(4,450)	(5,756)	(5,756)	
Appropriation for contingencies	(24,093)	(21)		21
Changes in fund balance		31,409	30,163	(1,246)
TOTAL OTHER FINANCING SOURCES (USES)	9,405	64,092	63,794	(298)
NET CHANGE IN FUND BALANCE	(414)	(414)	19,749	20,163
FUND BALANCE, JULY 1, 2018 (Note 16)	414	414	414	
FUND BALANCE, JUNE 30, 2019 (Note 16)	$		20,163	20,163

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 151,817	160,417	159,478	(939)
Licenses, permits and franchises	1,181	1,181	1,168	(13)
Fines, forfeitures and penalties	947	947	803	(144)
Revenue from use of money and property:				
Investment income	6,837	6,837	11,641	4,804
Rents and concessions	6,445	6,445	6,522	77
Royalties	540	540	754	214
Intergovernmental revenues:				
Federal			86	86
State	1,314	1,314	5,286	3,972
Other	1,463	1,463	646	(817)
Charges for services	112,394	127,394	133,475	6,081
Miscellaneous	126	126	309	183
TOTAL REVENUES	283,064	306,664	320,168	13,504
EXPENDITURES				
Current-Public protection:				
Services and supplies	251,029	329,939	329,416	523
Other charges	18,877	26,200	21,792	4,408
Capital assets	1,562	1,562	1,471	91
Capital outlay	106,740	60,762	34,677	26,085
TOTAL EXPENDITURES	378,208	418,463	387,356	31,107
DEFICIENCY OF REVENUES OVER EXPENDITURES	(95,144)	(111,799)	(67,188)	44,611
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	45	45	309	264
Transfers out	(10,876)	(10,946)	(7,918)	3,028
Changes in fund balance	39,300	56,025	68,221	12,196
TOTAL OTHER FINANCING SOURCES (USES)	28,469	45,124	60,612	15,488
NET CHANGE IN FUND BALANCE	(66,675)	(66,675)	(6,576)	60,099
FUND BALANCE, JULY 1, 2018 (Note 16)	66,675	66,675	66,675	
FUND BALANCE, JUNE 30, 2019 (Note 16)	$		60,099	60,099

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
LA COUNTY LIBRARY
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

	LA COUNTY LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 95,549	96,439	97,730	1,291
Fines, forfeitures and penalties	556	556	374	(182)
Revenue from use of money and property:				
Investment income	437	437	1,783	1,346
Rents and concessions	15	15	14	(1)
Intergovernmental revenues:				
Federal			40	40
State	540	540	465	(75)
Other	130	130	267	137
Charges for services	15,972	15,972	15,799	(173)
Miscellaneous	584	584	1,245	661
TOTAL REVENUES	113,783	114,673	117,717	3,044
EXPENDITURES				
Current-Education:				
Salaries and employee benefits	113,020	113,020	103,429	9,591
Services and supplies	86,355	88,339	57,694	30,645
Other charges	945	945	809	136
Capital assets	2,233	3,083	2,377	706
TOTAL EXPENDITURES	202,553	205,387	164,309	41,078
DEFICIENCY OF REVENUES OVER EXPENDITURES	(88,770)	(90,714)	(46,592)	44,122
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	13	13	13	
Transfers in	50,452	54,021	47,751	(6,270)
Transfers out	(2,464)	(3,199)	(3,199)	
Appropriation for contingencies		(890)		890
Changes in fund balance	(3,881)	(3,881)	(1,276)	2,605
TOTAL OTHER FINANCING SOURCES (USES)	44,120	46,064	43,289	(2,775)
NET CHANGE IN FUND BALANCE	(44,650)	(44,650)	(3,303)	41,347
FUND BALANCE, JULY 1, 2018 (Note 16)	44,650	44,650	44,650	
FUND BALANCE, JUNE 30, 2019 (Note 16)	$		41,347	41,347

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
REGIONAL PARK AND OPEN SPACE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$	91,214	90,599	(615)
Fines, forfeitures and penalties	389	389	515	126
Revenue from use of money and property-Investment income	1,948	1,548	7,255	5,707
Charges for services	123,073	28,750	28,670	(80)
Miscellaneous			111	111
TOTAL REVENUES	125,410	121,901	127,150	5,249
EXPENDITURES				
Current-Recreation and cultural services:				
Services and supplies	16,062	13,300	7,212	6,088
Other charges	173,044	188,799	29,766	159,033
TOTAL EXPENDITURES	189,106	202,099	36,978	165,121
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(63,696)	(80,198)	90,172	170,370
OTHER FINANCING SOURCES (USES)				
Transfers in	148,937	163,280	159,318	(3,962)
Transfers out	(163,059)	(163,349)	(159,580)	3,769
Appropriations for contingencies	(3,799)			
Changes in fund balance	(69,892)	(71,242)	(59,905)	11,337
TOTAL OTHER FINANCING SOURCES (USES)	(87,813)	(71,311)	(60,167)	11,144
NET CHANGE IN FUND BALANCE	(151,509)	(151,509)	30,005	181,514
FUND BALANCE, JULY 1, 2018 (Note 16)	151,753	151,753	151,753	
FUND BALANCE, JUNE 30, 2019 (Note 16)	$ 244	244	181,758	181,514

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
MENTAL HEALTH SERVICES ACT
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

	MENTAL HEALTH SERVICES ACT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Revenue from use of money and property-				
Investment income	$ 9,879	9,879	25,460	15,581
Intergovernmental revenues-				
State	557,281	557,281	555,104	(2,177)
TOTAL REVENUES	567,160	567,160	580,564	13,404
EXPENDITURES				
Current-Health and sanitation:				
Services and supplies	5,610	5,610	57	5,553
Other Charges		65,000	65,000	
TOTAL EXPENDITURES	5,610	70,610	65,057	5,553
EXCESS OF REVENUES OVER EXPENDITURES	561,550	496,550	515,507	18,957
OTHER FINANCING SOURCES (USES)				
Transfers out	(756,326)	(760,775)	(643,721)	117,054
Appropriations for contingencies	(77,618)	(77,618)		77,618
Changes in fund balance	45,571	115,020	115,019	(1)
TOTAL OTHER FINANCING SOURCES (USES)	(788,373)	(723,373)	(528,702)	194,671
NET CHANGE IN FUND BALANCE	(226,823)	(226,823)	(13,195)	213,628
FUND BALANCE, JULY 1, 2018 (Note 16)	226,823	226,823	226,823	
FUND BALANCE, JUNE 30, 2019 (Note 16)	$		213,628	213,628

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 1,525	873	1,983	32,157
Other	9,445	4,580	11,553	2,691
Total pooled cash and investments	10,970	5,453	13,536	34,848
Taxes receivable				
Accounts receivable - net (Note 14)	843,369	411,633	1,009,883	164,052
Interest receivable	113	48	15	64
Other receivables	21,487	14,661	27,357	5,283
Due from other funds (Note 15)	74,980	77,082	314,124	4,789
Advances to other funds (Note 15)				
Inventories	8,362	4,551	10,246	1,955
Total current assets	959,281	513,428	1,375,161	210,991
Noncurrent assets:				
Restricted assets (Note 5)	61,440	15,593		29,131
Other receivables (Note 14)	176,237	61,351	197,728	17,558
Capital assets: (Notes 1, 6 and 10)				
Land and easements	1,671	1,894	16,194	217
Buildings and improvements	928,530	222,706	1,050,748	306,112
Equipment	119,704	85,203	146,569	41,459
Intangible - software	16,921	14,359	20,704	5,616
Infrastructure				
Construction in progress	49,165			212,040
Less accumulated depreciation	(317,861)	(176,980)	(383,588)	(147,730)
Total capital assets - net	798,130	147,182	850,627	417,714
Total noncurrent assets	1,035,807	224,126	1,048,355	464,403
TOTAL ASSETS	1,995,088	737,554	2,423,516	675,394
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	258,425	173,014	336,082	66,327
LIABILITIES				
Current liabilities:				
Accounts payable	187,924	89,614	182,598	43,950
Accrued payroll	30,849	16,744	42,170	8,216
Other payables	4,878	2,340	4,254	1,349
Accrued interest payable	13,789	4,627		
Due to other funds (Note 15)	218,922	94,612	112,694	69,053
Advances from other funds (Note 15)	235,317	58,732	336,473	1,265
Advances payable		17	437	18
Current portion of long-term liabilities (Note 11)	133,832	14,505	36,998	238,029
Total current liabilities	825,511	281,191	715,624	361,880
Noncurrent liabilities:				
Accrued compensated absences (Note 11)	67,118	36,267	87,408	17,109
Bonds and notes (Note 11)	493,398	190,836		
Premiums on bonds and notes payable (Note 11)	15,846	13,013		
Capital lease obligations (Notes 10 and 11)	18	74		
Workers' compensation (Notes 11 and 18)	100,124	40,271	149,566	29,620
Litigation and self-insurance (Notes 11 and 18)	8,578	8,947	38,167	100
Net pension liability (Notes 8 and 11)	478,407	310,986	644,171	133,205
Net OPEB liability (Notes 9 and 11)	1,216,180	809,347	1,807,930	360,859
Third party payor (Notes 11 and 14)	164,443	76,203	257,619	47,724
Total noncurrent liabilities	2,544,112	1,485,944	2,984,861	588,617
TOTAL LIABILITIES	3,369,623	1,767,135	3,700,485	950,497
DEFERRED INFLOWS OF RESOURCES (Note 20)	271,329	181,641	403,952	103,572
NET POSITION				
Net investment in capital assets	246,945	(46,460)	850,627	213,272
Restricted:				
Debt service	2,809	9,058		
Public ways and facilities				
Unrestricted (deficit)	(1,637,193)	(1,000,806)	(2,195,466)	(525,620)
TOTAL NET POSITION (DEFICIT) (Note 3)	$ (1,387,439)	(1,038,208)	(1,344,839)	(312,348)

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				ASSETS
				Current assets:
				Pooled cash and investments: (Notes 1 and 5)
$ 116,285	11,379	$ 164,202	$ 39,608	Operating
2,118	176	30,563	9,212	Other
118,403	11,555	194,765	48,820	Total pooled cash and investments
727		727		Taxes receivable
13,270	1,210	2,443,417		Accounts receivable - net (Note 14)
322	29	591	153	Interest receivable
		68,788	8,788	Other receivables
2,242	39	473,256	120,838	Due from other funds (Note 15)
1,368		1,368		Advances to other funds (Note 15)
		25,114	10,220	Inventories
136,332	12,833	3,208,026	188,819	Total current assets
				Noncurrent assets:
		106,164	14,869	Restricted assets (Note 5)
		452,874		Other receivables (Note 14)
				Capital assets: (Notes 1, 6 and 10)
11,898	134,692	166,566		Land and easements
119,091	42,227	2,669,414		Buildings and improvements
1,525	1,465	395,925	291,302	Equipment
1,322		58,922		Intangible - software
1,211,358	69,766	1,281,124		Infrastructure
35,857	1,119	298,181		Construction in progress
(705,396)	(71,347)	(1,802,902)	(149,088)	Less accumulated depreciation
675,655	177,922	3,067,230	142,214	Total capital assets - net
675,655	177,922	3,626,268	157,083	Total noncurrent assets
811,987	190,755	6,834,294	345,902	TOTAL ASSETS
		833,848	173,280	DEFERRED OUTFLOWS OF RESOURCES (Note 20)
				LIABILITIES
				Current liabilities:
5,253	301	509,640	10,126	Accounts payable
		97,979	21,300	Accrued payroll
	47	12,868	2,969	Other payables
	20	18,436	785	Accrued interest payable
7,532	1,047	503,860	43,834	Due to other funds (Note 15)
		631,787	22,000	Advances from other funds (Note 15)
25		497	3,922	Advances payable
1,255	104	424,723	36,147	Current portion of long-term liabilities (Note 11)
14,065	1,519	2,199,790	141,083	Total current liabilities
				Noncurrent liabilities:
		207,902	57,640	Accrued compensated absences (Note 11)
6,736	1,510	692,480	30,615	Bonds and notes (Note 11)
		28,859		Premiums on bonds and notes payable (Note 11)
		92		Capital lease obligations (Notes 10 and 11)
		319,581	50,536	Workers' compensation (Notes 11 and 18)
774		56,566		Litigation and self-insurance (Notes 11 and 18)
		1,566,769	332,054	Net pension liability (Notes 8 and 11)
		4,194,316	877,840	Net OPEB liability (Notes 9 and 11)
		545,989		Third party payor (Notes 11 and 14)
7,510	1,510	7,612,554	1,348,685	Total noncurrent liabilities
21,575	3,029	9,812,344	1,489,768	TOTAL LIABILITIES
		960,494	204,029	DEFERRED INFLOWS OF RESOURCES (Note 20)
				NET POSITION
668,724	176,308	2,109,416	107,138	Net investment in capital assets
				Restricted:
		11,867	5,131	Debt service
121,688		121,688		Public ways and facilities
	11,418	(5,347,667)	(1,286,884)	Unrestricted (deficit)
$ 790,412	187,726	(3,104,696)	$ (1,174,615)	TOTAL NET POSITION (DEFICIT) (Note 3)
		1,226		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (3,103,470)		NET POSITION (DEFICIT) OF BUSINESS-TYPE ACTIVITIES (PAGE 25)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:				
Net patient service revenues (Note 14)	$ 1,150,236	527,859	1,483,845	275,116
Rentals				
Charges for services				
Other (Note 14)	199,248	64,351	189,543	34,928
TOTAL OPERATING REVENUES	1,349,484	592,210	1,673,388	310,044
OPERATING EXPENSES:				
Salaries and employee benefits	747,682	405,898	1,015,833	196,998
Services and supplies	199,347	69,894	254,974	39,973
Other professional services	222,979	129,939	382,949	56,262
Depreciation and amortization (Note 6)	27,077	21,326	27,253	7,486
Medical malpractice		8,269		294
Rent	3,437	1,315	2,806	
TOTAL OPERATING EXPENSES	1,200,522	636,641	1,683,815	301,013
OPERATING INCOME (LOSS)	148,962	(44,431)	(10,427)	9,031
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income	677	743	872	287
Gain (loss) on capital assets	(15,549)	(151,349)	(7,972)	2
Interest expense	(34,818)	(10,128)	(1,926)	(3,030)
Intergovernmental transfers expense (Note 14)	(325,122)	(117,520)	(369,607)	(148,156)
Intergovernmental revenues-				
State				
TOTAL NONOPERATING REVENUES (EXPENSES)	(374,812)	(278,254)	(378,633)	(150,897)
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(225,850)	(322,685)	(389,060)	(141,866)
Capital contributions	765	5		16
Transfers in (Note 15)	130,992	53,617	593,533	89,637
Transfers out (Note 15)	(830)	(10,476)	(5,047)	(5,094)
CHANGE IN NET POSITION	(94,923)	(279,539)	199,426	(57,307)
NET POSITION (DEFICIT), JULY 1, 2018	(1,292,516)	(758,669)	(1,544,265)	(255,041)
NET POSITION (DEFICIT), JUNE 30, 2019	$ (1,387,439)	(1,038,208)	(1,344,839)	(312,348)

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				OPERATING REVENUES:
$		$ 3,437,056	$	Net patient service revenues (Note 14)
	4,240	4,240	27,288	Rentals
84,748	480	85,228	593,009	Charges for services
24	12	488,106		Other (Note 14)
84,772	4,732	4,014,630	620,297	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		2,366,411	508,459	Salaries and employee benefits
78,436	3,239	645,863	50,577	Services and supplies
2,428	483	795,040	44,883	Other professional services
23,877	2,182	109,201	34,379	Depreciation and amortization (Note 6)
		8,563		Medical malpractice
		7,558		Rent
104,741	5,904	3,932,636	638,298	TOTAL OPERATING EXPENSES
(19,969)	(1,172)	81,994	(18,001)	OPERATING INCOME (LOSS)
				NONOPERATING REVENUES (EXPENSES):
6,504		6,504		Taxes
3,732	264	6,575	1,117	Investment income
		(174,868)		Gain (loss) on capital assets
(165)	(50)	(50,117)	(1,908)	Interest expense
		(960,405)		Intergovernmental transfers expense (Note 14)
1,490	40	1,530		Intergovernmental revenues- State
11,561	254	(1,170,781)	(791)	TOTAL NONOPERATING REVENUES (EXPENSES)
(8,408)	(918)	(1,088,787)	(18,792)	LOSS BEFORE CONTRIBUTIONS AND TRANSFERS
56	3,794	4,636		Capital contributions
		867,779	19,304	Transfers in (Note 15)
(1,696)	(143)	(23,286)	(3,981)	Transfers out (Note 15)
(10,048)	2,733	(239,658)	(3,469)	CHANGE IN NET POSITION
800,460	184,993		(1,171,146)	NET POSITION (DEFICIT), JULY 1, 2018
$ 790,412	187,726		$ (1,174,615)	NET POSITION (DEFICIT), JUNE 30, 2019
		4,448		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (235,210)		CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES (PAGE 27)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from patient services	$ 853,930	469,811	895,906	325,338
Rentals received				
Rentals received from other funds				
Cash received from charges for services				
Other operating revenues	199,248	64,351	189,543	34,928
Cash received for services provided to other funds	19,779	33,080	30,712	320
Cash paid for salaries and employee benefits	(710,753)	(387,655)	(964,312)	(188,093)
Cash (paid) returned for services and supplies	(5,759)	30,127	(12,244)	(747)
Other operating expenses	(231,790)	(131,784)	(396,889)	(56,425)
Cash (paid) returned for services from other funds	53,242	27,485	(144,387)	22,804
Net cash provided by (required for) operating activities	177,897	105,415	(401,671)	138,125
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash advances received from other funds	1,009,055	393,890	1,531,967	228,553
Cash advances paid/returned to other funds	(866,544)	(337,754)	(1,202,490)	(249,515)
Interest paid on advances	(2,383)	(547)	(1,926)	(297)
Intergovernmental transfers	(325,122)	(117,520)	(369,607)	(148,156)
Intergovernmental receipts				
Transfers in	55,902	(21,673)	419,333	80,060
Transfers out	(830)	(10,476)	(5,047)	(5,094)
Net cash provided by (required for) noncapital financing activities	(129,922)	(94,080)	372,230	(94,449)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes	89,572			233,573
Interest paid on capital borrowing	(33,323)	(10,196)		(2,733)
Principal payments on bonds and notes	(68,755)	(4,484)		(192,770)
Principal payments on capital leases	(42)	(28)		
Acquisition and construction of capital assets	(25,039)	(30,388)	(5,100)	(35,330)
Net cash provided by (required for) capital and related financing activities	(37,587)	(45,096)	(5,100)	2,740
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	674	716	869	233
Net increase (decrease) in cash and cash equivalents	11,062	(33,045)	(33,672)	46,649
Cash and cash equivalents, July 1, 2018	61,348	54,091	47,208	17,330
Cash and cash equivalents, June 30, 2019	$ 72,410	21,046	13,536	63,979

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES
$		$ 2,544,985	$	Cash received from patient services
	4,240	4,240	51	Rentals received
			25,103	Rentals received from other funds
84,935	4,320	89,255	37,917	Cash received from charges for services
24	12	488,106		Other operating revenues
		83,891	533,587	Cash received for services provided to other funds
		(2,250,813)	(482,474)	Cash paid for salaries and employee benefits
(76,778)	(3,456)	(68,857)	(45,322)	Cash (paid) returned for services and supplies
(2,244)	(483)	(819,615)	(44,883)	Other operating expenses
		(40,856)		Cash (paid) returned for services from other funds
5,937	4,633	30,336	23,979	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
1		3,163,466		Cash advances received from other funds
(33)		(2,656,336)	(4,998)	Cash advances paid/returned to other funds
		(5,153)		Interest paid on advances
		(960,405)		Intergovernmental transfers
1,490	40	1,530		Intergovernmental receipts
		533,622	19,304	Transfers in
(1,696)	(143)	(23,286)	(3,981)	Transfers out
(238)	(103)	53,438	10,325	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
6,494		6,494		Proceeds from taxes
	3,794	3,794		Capital contributions
		323,145	30,000	Proceeds from bonds and notes
(165)	(51)	(46,468)	(1,465)	Interest paid on capital borrowing
(384)	(101)	(266,494)	(19,545)	Principal payments on bonds and notes
		(70)		Principal payments on capital leases
(3,438)	(3,913)	(103,208)	(48,912)	Acquisition and construction of capital assets
2,507	(271)	(82,807)	(39,922)	Net cash provided by (required for) capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES
3,679	255	6,426	1,119	Investment income
11,885	4,514	7,393	(4,499)	Net increase (decrease) in cash and cash equivalents
106,518	7,041	293,536	68,188	Cash and cash equivalents, July 1, 2018
$ 118,403	11,555	$ 300,929	$ 63,689	Cash and cash equivalents, June 30, 2019

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ 148,962	(44,431)	(10,427)	9,031
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:				
Depreciation and amortization	27,077	21,326	27,253	7,486
(Increase) decrease in:				
Accounts receivable - net	(103,707)	33,089	(180,423)	44,391
Other receivables	(124,965)	(29,800)	(146,346)	(12,189)
Due from other funds	29,572	1,130	(147,410)	14,598
Inventories	919	1,052	561	(120)
Increase (decrease) in:				
Accounts payable	39,832	5,477	46,429	10,013
Accrued payroll	(2,140)	(3,189)	(1,436)	400
Other payables	17	(20)	12	16
Accrued compensated absences	(965)	(4,045)	(1,378)	1,298
Due to other funds	207,042	121,204	52,525	52,376
Workers' compensation	2,892	1,905	4,757	887
Litigation and self-insurance	(5,164)	7,739	(11,134)	131
Net pension liability and related changes in deferred outflows and inflows of resources	(7,193)	(5,110)	(10,930)	(2,981)
Net OPEB liability and related changes in deferred outflows and inflows of resources	41,172	28,475	59,324	9,046
Third party payor	(75,454)	(29,387)	(83,048)	3,742
TOTAL ADJUSTMENTS	28,935	149,846	(391,244)	129,094
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ 177,897	105,415	(401,671)	138,125
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Contributions of capital assets	$ 765	5		16
Gain (loss) on disposal of capital assets	(15,549)	(151,349)	(7,972)	2
TOTAL	$ (14,784)	(151,344)	(7,972)	18
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Pooled cash and investments	$ 10,970	5,453	13,536	34,848
Restricted assets	61,440	15,593		29,131
TOTAL	$ 72,410	21,046	13,536	63,979

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
$ (19,969)	(1,172)	$ 81,994	$ (18,001)	Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:
23,877	2,182	109,201	34,379	Depreciation and amortization
				(Increase) decrease in:
912	3,721	(202,017)		Accounts receivable - net
		(313,300)	(316)	Other receivables
(725)	119	(102,716)	(22,909)	Due from other funds
		2,412	(1,602)	Inventories
				Increase (decrease) in:
(66)	(325)	101,360	924	Accounts payable
		(6,365)	1,042	Accrued payroll
	2	27	77	Other payables
		(5,090)	1,494	Accrued compensated absences
1,724	106	434,977	5,933	Due to other funds
		10,441	1,489	Workers' compensation
184		(8,244)		Litigation and self-insurance
		(26,214)	(6,429)	Net pension liability and related changes in deferred outflows and inflows of resources
		138,017	27,898	Net OPEB liability and related changes in deferred outflows and inflows of resources
		(184,147)		Third party payor
25,906	5,805	(51,658)	41,980	TOTAL ADJUSTMENTS
$ 5,937	4,633	$ 30,336	$ 23,979	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
$ 56		$ 842	$	Contributions of capital assets
		(174,868)		Gain (loss) on disposal of capital assets
$ 56		$ (174,026)	$	TOTAL
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:
$ 118,403	11,555	$ 194,765	$ 48,820	Pooled cash and investments
		106,164	14,869	Restricted assets
$ 118,403	11,555	$ 300,929	$ 63,689	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	$ 96,221	$ 20,529,670	$ 1,953,762
Other investments: (Note 5)		165,487	300
Short-term investments	1,322,051		
Equity	26,460,105		
Fixed income	18,508,520		
Private equity	6,028,265		
Real estate	6,312,866		
Hedge funds	1,890,739		
Cash collateral on loaned securities	814,829		
Taxes receivable			259,974
Interest receivable	102,850	49,019	122,425
Other receivables	1,057,959		
TOTAL ASSETS	62,594,405	20,744,176	2,336,461
LIABILITIES			
Accounts payable	2,162,819		
Other payables (Note 5)	898,273		
Due to other governments			2,336,461
TOTAL LIABILITIES	3,061,092		2,336,461
NET POSITION			
Net position restricted for pension benefits and other purposes	$ 59,533,313	$ 20,744,176	$

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS		
Contributions:		
Pension and OPEB trust contributions:		
Employer	$ 2,531,179	$
Member	683,215	
Contributions to investment trust funds		47,849,861
Total contributions	3,214,394	47,849,861
Investment earnings:		
Investment income	2,194,924	590,202
Net increase in the fair value of investments	1,272,295	
Securities lending income (Note 5)	26,146	
Total investment earnings	3,493,365	590,202
Less - Investment expenses:		
Expense from investing activities	233,868	
Expense from securities lending activities (Note 5)	21,658	
Total net investment expense	255,526	
Net investment earnings	3,237,839	590,202
Miscellaneous	5,958	
TOTAL ADDITIONS	6,458,191	48,440,063
DEDUCTIONS		
Administrative expenses:		
Salaries and employee benefits	63,116	
Services and supplies	20,024	
Total administrative expenses	83,140	
Benefit payments	4,053,703	
Distributions from investment trust funds		48,510,285
Miscellaneous	29,024	
TOTAL DEDUCTIONS	4,165,867	48,510,285
CHANGE IN NET POSITION	2,292,324	(70,222)
NET POSITION, JULY 1, 2018	57,240,989	20,814,398
NET POSITION, JUNE 30, 2019	$ 59,533,313	$ 20,744,176

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2019 (in thousands)

	LOS ANGELES COUNTY DEVELOPMENT AUTHORITY	FIRST 5 LA	TOTAL
ASSETS			
Pooled cash and investments-			
Operating (Notes 1 and 5)	$ 124,931	365,731	$ 490,662
Other investments (Note 5)	420,934		420,934
Accounts receivable - net	22,884		22,884
Interest receivable		608	608
Other receivables	15,294	18,605	33,899
Inventories	13,976		13,976
Capital assets: (Notes 1, 6 and 10)			
Capital assets, not being depreciated	92,339	2,039	94,378
Capital assets, net of accumulated depreciation	80,080	8,802	88,882
Total capital assets	172,419	10,841	183,260
TOTAL ASSETS	770,438	395,785	1,166,223
DEFERRED OUTFLOWS OF RESOURCES	12,277		12,277
LIABILITIES			
Accounts payable	31,283	19,898	51,181
Other payables	7,257	16	7,273
Advances payable	5,775		5,775
Long-term liabilities: (Note 11)			
Due within one year	4,606	99	4,705
Due in more than one year	84,628	592	85,220
TOTAL LIABILITIES	133,549	20,605	154,154
DEFERRED INFLOWS OF RESOURCES	3,300		3,300
NET POSITION			
Net investment in capital assets	130,735	10,841	141,576
Restricted for:			
Debt service	363		363
Community development	463,672		463,672
First 5 LA		364,339	364,339
Unrestricted	51,096		51,096
TOTAL NET POSITION	$ 645,866	375,180	$ 1,021,046

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2019 (in thousands)

	LOS ANGELES COUNTY DEVELOPMENT AUTHORITY	FIRST 5 LA	TOTAL
PROGRAM (EXPENSES) REVENUES:			
Expenses	$ (529,734)	(119,000)	$ (648,734)
Program revenues:			
Charges for services	28,096		28,096
Operating grants and contributions	604,744	90,900	695,644
Capital grants and contributions	5,912		5,912
Net program (expenses) revenues	109,018	(28,100)	80,918
GENERAL REVENUES:			
Investment income	8,204	13,082	21,286
Miscellaneous	1,551	133	1,684
Total general revenues	9,755	13,215	22,970
CHANGE IN NET POSITION	118,773	(14,885)	103,888
NET POSITION, JULY 1, 2018	527,093	390,065	917,158
NET POSITION, JUNE 30, 2019	$ 645,866	375,180	$ 1,021,046

The notes to the basic financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Los Angeles (County), which was established in 1850, is a legal subdivision of the State of California (State) charged with general governmental powers. The County's powers are exercised through an elected five member Board of Supervisors (Board), which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by generally accepted accounting principles (GAAP), these basic financial statements include both those of the County and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

The basic financial statements include blended, fiduciary and discretely presented component units. The blended component units, although legally separate entities are, in substance, part of the County's operations. The data from these units are combined with data of the primary government. The fiduciary component unit is reported under Fiduciary Funds in the basic financial statements. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements.

Blended Component Units

While each of the component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is primarily demonstrated by the County's Board acting as the governing board for each of the component units and its ability to impose its will or an existence of a financial benefit/burden relationship. County management has determined that the following related entities should be included in the basic financial statements as blended component units:

- Fire Protection District
- Flood Control District
- Garbage Disposal Districts
- Improvement Districts
- Regional Park and Open Space District
- Sewer Maintenance Districts
- Street Lighting Districts
- Waterworks Districts
- Los Angeles County Capital Asset Leasing Corporation (a Not-for-Profit Corporation) (NPC)
- Various Joint Powers Authorities (JPAs)
- Los Angeles County Securitization Corporation (LACSC)
- Los Angeles County Facilities Inc. (LACF)

The various districts are included primarily because the Board is also their governing board and the County has operational responsibilities for the districts. As such, the Board establishes policy, appoints management and exercises budgetary control. The NPC and JPAs have been included because their sole purpose is to finance and construct County capital assets and because they are dependent upon the County for funding.

The Los Angeles County Capital Asset Leasing Corporation (LACCAL) is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in LACCAL's articles of incorporation or bylaws, and the component unit is included in the financial reporting entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Blended Component Units-Continued

The LACSC is a California public benefit corporation created by the County Board in January 2006. Three directors, the County's Auditor-Controller, Treasurer and Tax Collector, and an independent party designated by at least one of the County directors, govern the LACSC. The LACSC purpose is to acquire the County's rights in relation to future tobacco settlement payments and to facilitate the issuance of long-term bonds secured by the County Tobacco Assets. The LACSC provides service solely to the County and is reported as a blended component unit of the County.

LACF is a California nonprofit pubic benefit corporation and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986. It was formed on April 25, 2016. On July 26, 2018, LACF issued $302.38 million of lease revenue bonds to be used to finance the construction of the Vermont Corridor County Administration Building and parking structure. LACF is reported as a blended component unit because it provides services solely to the County and it is fiscally dependent on the County. It is reported under Public Buildings Debt Service and Capital Projects funds.

Fiduciary Component Unit

The County pension plan is administered by the Los Angeles County Employees Retirement Association (LACERA), which was established under the County Employees' Retirement Law of 1937 (CERL). LACERA is a cost-sharing, multi-employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. LACERA also administers a cost-sharing, multi-employer Other Postemployment Benefit (OPEB) or Retiree Healthcare Program on behalf of the County. LACERA is reported in the Pension and OPEB Trust Funds on the Statement of Net Position - Fiduciary Funds of the basic financial statements and has been included because its operations are dependent upon County funding and because its operations, almost exclusively, benefit the County. LACERA issues a stand-alone financial report, which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199 or at www.LACERA.com.

Discretely Presented Component Units

Los Angeles County Development Authority (formerly Community Development Commission of the County of Los Angeles)

On May 16, 2019, the Community Development Commission/Housing Authority of the County of Los Angeles established on July 1, 1982 under the provisions of Section 34100-34160 of the Health and Safety Code of the State of California, was officially rebranded to the Los Angeles County Development Authority (LACDA).

LACDA is responsible for:

- Administering the Housing Choice Voucher and other Section 8 programs;
- Directing the County's housing programs, including planning, housing finance, production and conservation, and management of the County's public housing developments;
- Financing community improvements such as resurfacing streets and rehabilitating homes and businesses;
- Providing economic development, business revitalization services, and comprehensive planning systems for affordable housing; and
- Developing housing, business, and industry in designated areas.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Units-Continued

Los Angeles County Development Authority (formerly Community Development Commission of the County of Los Angeles)-Continued

While its Board members are the same as the County Board, LACDA does not meet the criteria for blending due to the following: 1) there is no financial burden or benefit relationship with the County nor does management of the County have operational responsibilities over it; 2) LACDA does not provide services entirely or almost entirely to the County; and 3) LACDA's total debt outstanding is not expected to be repaid with resources of the County. The financial activity of LACDA is reported within the Discretely Presented Component Units column of the government-wide financial statements. LACDA issues a separate financial report that can be obtained at https://www.lacda.org/about-cdc/budget-and-finance or by writing to the Los Angeles County Development Authority at 700 W. Main Street, Alhambra, California 91801.

Los Angeles County Children and Families First - Proposition 10 Commission

Los Angeles County Children and Families First - Proposition 10 Commission, also known as First 5 LA, was established by the County as a separate legal entity to administer the County's share of tobacco taxes levied by the State pursuant to Proposition 10. The Board established First 5 LA with nine voting members and four non-voting representatives. Of the nine voting members, one is a member of the Board of Supervisors, three are heads of County Departments (Public Health Services, Mental Health, and Children and Family Services), and five are public members appointed by the Board. The non-voting representatives are from other County commissions and planning groups.

First 5 LA services support programs and services for children ages prenatal through five, and their families, in the areas of health, safety, early education and literacy. First 5 LA is a discretely presented component unit of the County because the County's Board appoints the voting Commissioners and the County has the ability to impose its will by removing those Commissioners at will. First 5 LA hires its own employees, including an Executive Director and functions independent of the County. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County. The financial activity of First 5 LA is reported within the Discretely Presented Component Units column of the government-wide financial statements. First 5 LA issues a separate financial report that can be obtained by writing to First 5 LA at 750 N. Alameda Street, Suite 300, Los Angeles, California 90012.

Related Organization

Los Angeles County Office of Education (LACOE) is a legally separate entity from the County. LACOE is governed by a seven-member Board of Education appointed by the County Board. However, the County's accountability for LACOE does not extend beyond making appointments and no financial benefit/burden relationship exists between the County and LACOE. LACOE is deemed to be a related organization. LACOE issues a separate financial report that can be obtained by writing to the Los Angeles County Office of Education at 9300 Imperial Highway, Downey, California 90242-2890.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basic Financial Statements

In accordance with Governmental Accounting Standards Board Statement (GASB) 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," the basic financial statements consist of the following:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to the basic financial statements.

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government, the County, and its blended and discretely presented component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for services provided among funds (other than internal service funds). These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Grants and contributions that are restricted to meeting the operational or capital requirements of a particular program are also recognized as program revenues. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Net position is classified into the following three components: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Net position is reported as restricted when it has external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2019, the restricted net position balances were $3.811 billion and $138.69 million for governmental activities and business-type activities, respectively. For governmental activities, $602.37 million was restricted by enabling legislation.

When both the restricted and unrestricted components of net position are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

In accordance with GAAP, the County reports on each major fund. By definition, the general fund is always considered a major fund. Funds other than the general fund must be reported as major funds if they meet both the ten percent and five percent criterion, defined respectively, 1) an individual fund reports at least ten percent of any of the following: a) total fund assets and deferred outflows of resources, b) total fund liabilities and deferred inflows of resources, c) total fund revenues, or d) total fund expenditures/expenses; 2) an individual fund reports at least five percent of the aggregated total for both governmental funds and enterprise funds of any one of the items for which it met the ten percent criterion. In addition, a fund may be reported as major if it is believed to be of particular importance to financial statement users.

The County reports the following major governmental funds:

General Fund

The General Fund is available for any authorized purpose and is used to account for and report all financial resources not accounted for and reported in another fund.

Fire Protection District Fund

The Fire Protection District Fund is used to account for fire prevention and suppression, rescue service, management of hazardous materials incidents, ocean lifeguard services, and acquisition and maintenance of the Fire Protection District property and equipment. Funding comes primarily from the Fire Protection District's statutory share of the Countywide tax levy, voter-approved taxes and charges for services.

Flood Control District Fund

The Flood Control District provides flood protection services that incorporate an integrated water resource management approach in providing flood protection; increases local water availability through conservation efforts; increases stormwater capture and reduces stormwater and urban runoff pollution; and provides passive recreational opportunities. The primary sources of revenue for the Flood Control District are property taxes and benefit assessments (charges for services).

LA County Library Fund

The LA County Library Fund is used to account for free library services to the unincorporated areas of the County and to cities that contract for these services. Funding comes primarily from the District's statutory share of the Countywide tax levy and voter-approved taxes.

Regional Park and Open Space District Fund

The Regional Park and Open Space District Fund is used to account for the programs designed to preserve beaches, parks, and wild lands, to acquire and renovate new and existing recreational facilities, and to restore rivers, streams, and trails in the County. Funding comes primarily from voter-approved special taxes, benefit assessments (charges for services) and long-term debt proceeds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Mental Health Services Act Fund

The Mental Health Services Act (MHSA) Fund is used to account for the County's mental health delivery system for children, transition age youth, adults, older adults, and families. Revenues are derived primarily by the passage of State Proposition 63 in November 2004. Proposition 63 generates mental health revenue through a one percent income surcharge on individuals with State taxable incomes over $1.00 million.

The County's four Hospital Funds and Waterworks Funds are all considered major funds for presentation purposes. There is one nonmajor enterprise fund (Aviation Funds). The Hospital Enterprise funds provide health services to County residents. Revenues are principally patient service fees. Subsidies are also received from the General Fund. The Waterworks Enterprise Funds provide water services to County residents. Revenues are derived primarily from the sale of water and water service standby charges. The Aviation Enterprise Funds provide airport services for five County airports. Revenues are derived primarily from airport charges and rentals. A description of each Enterprise Fund is provided below:

Harbor-UCLA Medical Center

The Harbor-UCLA Medical Center (H-UCLA) provides acute and intensive care unit medical/ surgical inpatient and outpatient services, trauma and emergency room services, acute psychiatric services, pediatric and obstetric services, and transplants.

Olive View-UCLA Medical Center

The Olive View-UCLA Medical Center (OV-UCLA) provides acute and intensive care, emergency services, medical/surgical inpatient and outpatient health care services, obstetric and gynecological services, and psychiatric services.

LAC+USC Medical Center

The LAC+USC Medical Center (LAC+USC) provides acute and intensive care unit medical/ surgical inpatient and outpatient services, trauma and emergency room services, a burn center, psychiatric services, renal dialysis, AIDS services, pediatric and obstetric services, and communicable disease services.

Rancho Los Amigos National Rehabilitation Center

The Rancho Los Amigos National Rehabilitation Center (Rancho) specializes in the rehabilitation for victims of spinal cord injuries and strokes, pathokinesiology and polio services, services for liver diseases, pediatrics, ortho diabetes, dentistry, and neuro-science.

Waterworks Funds

The Waterworks Enterprise funds are used to account for the administration, maintenance, operation and improvement of district water systems.

Aviation Funds

The Aviation Enterprise Funds are used to account for the administration, maintenance, operation and improvement of the five airports which are owned by the County.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

The following fund types have also been reported:

Internal Service Funds

The Internal Service Funds are used to account for the financing of services provided by a department or agency to other departments or agencies on a cost-reimbursement basis. The County's principal Internal Service Fund is used to account for the cost of services provided by the Department of Public Works to various other County funds and agencies.

Fiduciary Fund Types

Pension and Other Postemployment Benefits Trust Funds

The Pension Trust Fund is used to account for financial activities of the County's Pension Plan administered by LACERA.

The OPEB Trust Fund is used to account for the financial activities of the OPEB trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program administered by LACERA.

Investment Trust Funds

The Pooled Investment Trust Fund is used to account for the net position of the County's external investment pool.

The Specific Investment Trust Fund is used to account for the net position of individual investment accounts, in aggregate. The related investment activity occurs separately from the County's investment pool and is provided as a service to external investors.

Agency Funds

The Agency Funds are used primarily to account for assets held by the County in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, and other funds. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including property taxes and departmental funds) account for assets held by the County in an agency capacity for individuals or other government units.

Basis of Accounting

The government-wide, proprietary, pension and other postemployment benefits, and investment trust funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and similar items are recognized in the fiscal year in which all eligibility requirements have been satisfied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers revenues to be available if collectible within one year after year-end, except for property taxes, which are considered available to the extent that they are collectible within 60 days after year-end. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) is recorded as deferred inflows of resources in the period when an enforceable legal claim to the assets arises. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital lease obligations are reported as other financing sources.

For the governmental funds financial statements, revenues are recorded when they are susceptible to accrual. Specifically, ad valorem property taxes (except for redevelopment agency dissolution), sales taxes, investment income (loss), charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met. When all eligibility requirements are met, except for the timing requirements, a deferred inflow of resources is reported until the time requirements have passed. All other revenues are not considered susceptible to accrual and are recognized when received, including property tax revenues derived from redevelopment agency dissolution.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's four Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the Nonmajor Aviation Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 14, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

Agency funds do not have a measurement focus because they report only assets and liabilities. They do, however, use the accrual basis of accounting to recognize receivables and payables.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (Government Code), commonly known as the County Budget Act, the County prepares and adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting that is different from GAAP. Annual budgets were not adopted for the JPAs, Public Buildings and the LACSC debt service funds, the capital project funds and the permanent funds.

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled at the object level for all budget units within the County, except for capital asset expenditures, which are controlled at the sub-object level. The total budget exceeds $34.461 billion and is currently controlled through the use of approximately 500 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2019. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control. This document is made available to the public on the County's website at https://ceo.lacounty.gov/budget, or can be obtained from the Auditor-Controller's office.

Transfers of appropriations between budget units must be approved by the Board. Supplemental appropriations financed by unanticipated revenue during the year must also be approved by the Board. Transfers of appropriations between objects of expenditure within the same budget unit must be approved by the Board or the Chief Executive Office, depending upon the amount transferred. The original and final budget amounts are reported in the accompanying basic financial statements. Any excess of budgetary expenditures and other financing uses over revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

Note 16 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total Fiscal Year (FY) 2018-2019 assessed valuation of the County approximated $1.530 trillion.

The property tax levy to support general operations of the various jurisdictions is limited to one percent (1%) of full cash value and is distributed in accordance with statutory formulae. Amounts needed to finance the annual requirements of voter-approved debt are excluded from this limitation and are separately calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The County is divided into 12,736 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

Property taxes are levied on both real and personal property. Secured property taxes are levied during September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property may be sold at public auction. The proceeds are used to pay the delinquent amounts due, and any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payment and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on August 1 and become delinquent, if unpaid, on August 31.

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill (AB) x1 26, also referred to as the “Redevelopment Dissolution Act” was approved in 2011. Under AB x1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as “residual taxes,” are distributed as property tax revenue to the appropriate local government agencies, including the County. Oversight Boards were established for each of the 71 successor agencies within the County. In FY 2018-2019, the 71 Oversight Boards were consolidated to 5 Oversight Boards per Senate Bill 107. The Oversight Boards are required to evaluate and approve the successor agencies’ remaining enforceable legal obligations. The County Auditor-Controller is responsible for disbursing property tax increment revenues in accordance with provisions of AB x1 26 and applicable amendments. For the year ended June 30, 2019, the County’s share of residual property tax revenues was $290.32 million, of which $243.21 million was recognized in the County’s General Fund.

Deposits and Investments

Deposits and investments as discussed in Note 5 are reflected in the following asset accounts:

Pooled Cash and Investments

As provided for by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily deposit balance during the allocation period. Each respective fund's share of the total pooled cash and investments is included among asset balances under the caption "Pooled Cash and Investments."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Pooled Cash and Investments-Continued

Pooled Cash and Investments are identified within the following categories for all County operating funds:

Operating Pooled Cash and Investments

This account represents amounts reflected in the County's day-to-day financial records. Such amounts are utilized to determine the availability of cash for purposes of disbursing and borrowing funds.

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2019, that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB 34.

Other Investments

This account represents Pension and OPEB Trust Fund investments, various JPAs, NPCs and Public Buildings (bond financed capital assets), and amounts on deposit with the County Treasurer, which are invested separately as provided by the Government Code or by specific instructions from the depositing entities.

Restricted Assets

Enterprise Funds' restricted assets represent cash and investments of certain JPAs and Public Buildings projects restricted in accordance with the provisions of the certificates of participation issued. The Internal Service Funds' restricted assets represent cash and investments restricted for debt service in accordance with the provisions of the LACCAL bond indenture. All of the above noted assets are included in the various disclosures in Note 5. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds payable and certificates of participation.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the first in / first out basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are purchased. Reported inventories are categorized as nonspendable fund balance as required by GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54) because these amounts are not available for appropriation and expenditure.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, and intangible and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road, water, sewer, flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. Certain buildings and equipment are being leased under capital leases as defined in GASB 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The present value of the minimum lease obligation has been capitalized in the statement of net position and is also reflected as a liability in that statement.

Capital outlay is recorded as expenditures in the governmental fund financial statements and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds from tax-exempt debt over the same period. For taxable debt, business-type activities interest is capitalized and not netted with interest earnings.

The County's capitalization thresholds are $5,000 for equipment, $100,000 for buildings and improvements, $1 million for software intangible assets, $100,000 for non-software intangible assets, and $25,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives are capitalized subject to the threshold in the affected asset category. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation or amortization, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 6. Amortization for software and other intangible assets is included in the reporting of depreciation.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Software	5 to 25 years
Infrastructure	15 to 100 years

Works of art and historical treasures held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, encumbered, conserved, and preserved by the County. It is the County's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deferred Outflows and Inflows of Resources

Pursuant to GASB 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB 65, "Items Previously Reported as Assets and Liabilities," the County recognizes deferred outflows of resources and/or deferred inflows of resources in the government-wide statement of net position, governmental funds balance sheets, and proprietary funds statement of net position.

In addition to assets, the financial statements report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time, except for pension and OPEB related deferred inflows of resources, which will be recognized as a credit to expense.

Specific disclosures of items representing deferred outflows and inflows of resources appear in Note 20.

Advances Payable

The County uses certain agency funds as clearing accounts for the distribution of financial resources to other County funds. Pursuant to GASB 34, for external financial reporting purposes, the portions of the clearing account balances that pertain to other County funds should be reported as cash of the appropriate funds. The corresponding liability is included in "Advances Payable" because the amounts represent unearned revenue.

Compensated Absences

Vacation pay benefits accrue to employees ranging from 10 to 25 days per year depending on years of service and the benefit plan. Sick leave benefits accrue at the rate of 10 to 12 days per year for union represented employees depending on years of service. Non-represented employees accrue at a rate of up to 8 days of sick leave per year depending on the benefit plan. Employees can also accumulate unused holiday and compensatory time off benefits throughout the year. All benefits are payable upon termination, if unused, within limits and rates as specified in the County Salary Ordinance.

Liabilities for accrued compensated absences are accrued in the government-wide financial statements and in the proprietary funds. For the governmental funds, expenditures are recorded when amounts become due and payable (i.e., when employees terminate from service).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Net Pension Liability and Related Balances

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of LACERA and additions to/deductions from LACERA's fiduciary net position have been determined on the same basis as they are reported by LACERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Reported results pertain to liability and asset information within the following defined timeframes:

Valuation Date - June 30, 2017 rolled forward to June 30, 2018
Measurement Date - June 30, 2018
Measurement Period - July 1, 2017 to June 30, 2018

Net OPEB Liability and Related Balances - Retiree Healthcare

For purposes of measuring the net OPEB liability related to Retiree Healthcare, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of LACERA and additions to/deductions from LACERA's fiduciary net position have been determined on the same basis as they are reported by LACERA. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Reported results pertain to liability and asset information within the following defined timeframes:

Valuation Date - June 30, 2017 rolled forward to June 30, 2018
Measurement Date - June 30, 2018
Measurement Period - July 1, 2017 to June 30, 2018

Total OPEB Liability and Related Balances - Long-Term Disability

For purposes of measuring the total OPEB liability related to Long-Term Disability (LTD), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the plan. For this purpose, the LTD plan recognizes benefit payments when due and payable in accordance with the benefit terms. Reported results pertain to liability information within the following defined timeframes:

Valuation Date - June 30, 2017 rolled forward to June 30, 2018
Measurement Date - June 30, 2018
Measurement Period - July 1, 2017 to June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the period issued.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs are recognized in the period issued. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e., portion that has come due for payment) is reported as a liability in the fund financial statements of the related fund.

Fund Balances

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB 54. The reported fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Specific details related to Fund Balances appear in Note 21.

Nonspendable Fund Balance - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and long-term notes receivable.

Restricted Fund Balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only by changing the condition of the constraint.

Committed Fund Balance - amounts that can only be used for the specific purposes determined by a formal action of the County’s highest level of decision-making authority, the County’s Board. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally. The underlying action that imposed the limitation needs to occur no later than the close of the fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances-Continued

Assigned Fund Balance - amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. Authorization to assign fund balance rests with the County's Board through the budget process. The Board has also delegated authority to the Chief Executive Officer and County Department Heads for contracts and purchasing authority.

Unassigned Fund Balance - the residual classification for the County's General Fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. For its budget, the County utilizes the GASB 54 criteria and an ordinance or resolution is equally binding, for purposes of establishing a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Cash Flows

For purposes of reporting cash flows, all amounts reported as "Pooled Cash and Investments," "Other Investments," and "Restricted Assets" are considered cash equivalents. Pooled cash and investment amounts represent funds held in the County Treasurer's cash management pool. Other investments and restricted assets are invested in money market mutual funds held by outside trustees. Such amounts are similar in nature to demand deposits (i.e., funds may be deposited and withdrawn at any time without prior notice or penalty).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/ expenses during the reporting period. Actual results could differ from those estimates.

2. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB Statements have been implemented in the current basic financial statements.

GASB 83	Certain Asset Retirement Obligations	Addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. This statement did not have a material impact on the financial statements.
GASB 88	Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements	Improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Refer to Note 11 for the required note disclosure information.

3. DEFICIT NET POSITION

The following activities/funds had a net deficit at June 30, 2019 (in thousands):

	Accumulated Deficit
Government-wide:	
Governmental Activities	$ 10,388,710
Business-type Activities	3,103,470
Enterprise Funds:	
Harbor-UCLA Medical Center	1,387,439
Olive View-UCLA Medical Center	1,038,208
LAC+USC Medical Center	1,344,839
Rancho Los Amigos National Rehab Center	312,348
Internal Service Funds-	
Public Works	1,175,566

The government-wide governmental and business-type activities, enterprise and internal service funds' Public Works deficits result primarily from the recognition of certain liabilities including accrued compensated absences, net pension liability, net OPEB liability, workers' compensation, self-insurance and, for the enterprise funds, medical malpractice, and third party payors, as required by GAAP. Deficits are expected to continue until such liabilities are retired through user charges or otherwise funded.

4. ELIMINATIONS

The Regional Park and Open Space District (RPOSD), a blended component unit, is authorized to issue assessment bonds to acquire and improve recreational land and facilities. These bonds are secured by voter-approved property tax assessments. The RPOSD executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Various Joint Powers Authorities (JPAs)". Under the terms of the agreement, the RPOSD sold $510.19 million of bonds in 1997 that were acquired as an investment by the JPAs. The JPAs financed this investment from proceeds of a simultaneous issuance of an equivalent amount of bonds as a public offering. The structure of the publicly offered JPA bonds was designed to match the RPOSD's bonds relative to the principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of RPOSD related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPAs, the RPOSD has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPAs. The 1997 bonds were partially refunded in FY 2004-2005 and the remaining 1997 bonds were fully refunded in FY 2007-2008. The transactions between the two component units have been accounted for as follows:

Fund Financial Statements

At June 30, 2019, the governmental funds financial statements reflect an investment asset (referred to as "Other Investments") held by the JPAs of $13.62 million that has been recorded in the nonmajor governmental funds. The governmental funds financial statements do not reflect a liability for the related bonds payable ($13.62 million), as this obligation is not currently due. Accordingly, the value of the asset represents restricted fund balance in the nonmajor governmental funds.

In order to reflect the economic substance of the transaction described above, an eliminations column has been established in the governmental funds financial statements. The purpose of the column is to remove the duplication of assets, fund balances, revenues and expenditures that resulted from the consolidation of the two component units into the County's overall financial reporting structure.

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable ($13.62 million) and investment income and interest expense ($1.04 million for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

The bonds payable of $13.62 million, that were publicly issued, are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 11 and are captioned "Assessment Bonds."

5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension and OPEB Trust Funds investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2019 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 8,634,552	329,100			$ 8,963,652
Proprietary Funds	243,585		119,996	1,037	364,618
Fiduciary Funds (excluding Pension and OPEB)	22,483,432	165,787			22,649,219
Pension and OPEB Trust Funds	96,221	61,337,375			61,433,596
Discretely Presented Component Units	490,662	420,934			911,596
Total	$ 31,948,452	62,253,196	119,996	1,037	$ 94,322,681

A summary of cash and investments (by type) as of June 30, 2019 is as follows (in thousands):

Cash:	
County	
Imprest Cash	$ 9,714
Cash in Vault	364
Cash in Bank	260,573
Deposits in Transit	10,676
Held by Outside Trustees	234,121
LACDA	14,097
Total Cash	529,545
Investments:	
In Treasury Pool	31,787,121
In Specific Purpose Investment (SPI)	169,459
In Other Specific Investments	301
Held by Outside Trustees	92,043
In LACERA	61,337,375
In Discretely Presented Component Unit - LACDA	406,837
Total Investments	93,793,136
Total Cash and Investments	$ 94,322,681

Cash and investments are reported as follows:

Governmental Funds	$ 8,963,652
Proprietary Funds	364,618
Investment Trust Funds	20,695,157
Agency Funds	1,954,062
Pension and OPEB	
Trust Funds (LACERA)	61,433,596
Discretely presented component unit:	
- First 5 LA	365,731
- LACDA	545,865
Total Cash and Investments	$ 94,322,681

5. CASH AND INVESTMENTS-Continued

County Treasurer Cash

As of June 30, 2019, the County Treasurer (Treasurer) maintained accounts in six banks. The carrying amount of the Treasurer's total deposits in financial institutions was $260.57 million, deposits in transit were $10.68 million, and cash in the Treasurer's vault was $0.36 million.

Under California Government Code Section 53652, each financial institution in California is required to pledge a pool of securities as collateral against all of its public deposits. California Government Code Section 53651 delineates the types of eligible securities, and the required collateral percentage, generally at 110%. In addition, under California Government Code Section 53653, the Treasurer has discretion to waive security for the portion of any deposits as insured pursuant to federal law. Through contractual agreement, the Treasurer has opted to waive security for the portion of deposits that is federally insured.

The total balance of deposits in financial institutions was covered by federal depository insurance or collateralized with securities monitored by the California Department of Business Oversight (DBO). DBO confirmed that the pools of collateral related to the County Treasurer's deposits were maintained at required levels as of June 30, 2019.

County Investment Pool

California Government Code Sections 53601, 53635 and 53534 authorize the Treasurer to invest the External Investment Pool (Pool) and SPI funds in obligations of the United States Treasury, federal agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, forwards, futures, options, shares of beneficial interest of a Joint Powers Authority (JPA) that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF) registered with the Securities and Exchange Commission (SEC), securities lending agreements, the State of California's Local Agency Investment Fund (LAIF), interest rate swaps, and supranational institutions. California Government Code Section 53534 authorizes the Treasurer to enter into interest rate swaps agreements. However, these agreements should only be used in conjunction with the sale of the bonds approved by the Board. The investments are managed by the Treasurer, which reports investment activity to the Board on a monthly basis. In addition, Treasurer investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The Treasurer also maintains Other Specific Investments, which are invested pursuant to the California Government Code. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2019, to support the value of shares in the Pool.

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Fifty-six percent (55.96%) of the Treasurer's Pool consists of these involuntary participants. Voluntary participants in the County's Pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the Pooled Investment Trust Fund. Certain SPI have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's Pool and is reported in the Specific Investment Trust Fund in the amount of $165.49 million. The Pool is not registered as an investment company with the SEC. California Government Code statutes and the County Board set forth the various investment policies that the Treasurer must follow.

Investments are stated at fair value and are valued on a monthly basis. The Treasurer categorizes its fair value measurements within the fair value hierarchy established by GAAP. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy.

Investments in LAIF are governed by the California Government Code and overseen by a five member Local Investment Advisory Board as designated by the California Government Code. As of June 30, 2019, the total amount invested by all California local governments and special districts in LAIF was $24.580 billion. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2019 had a balance of $105.740 billion. The PMIA is not SEC registered, but is required to invest according to the California Government Code. Included in the PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling $1.880 billion at June 30, 2019. Collectively, these represent 1.78% of the PMIA balance of $105.740 billion. The SPI holdings in the LAIF investment pool as of June 30, 2019, were $42.24 million, which were valued using a fair value factor provided by LAIF.

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

The Treasurer has the following recurring fair value measurements as of June 30, 2019 (in thousands):

		Fair Value Measurement Using			
Pool	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	External Government Investment Pools
Commercial Paper	$ 9,436,908	$	$ 9,436,908	$	$
Corporate and Deposit Notes	102,432		102,432		
Los Angeles County Securities	49,146			49,146	
Negotiable Certificates of Deposit	1,900,305		1,900,305		
U.S. Agency Securities	19,006,583		19,006,583		
U.S. Treasury Securities:					
U.S. Treasury Notes	148,035		148,035		
U.S. Treasury Bills	1,143,712		1,143,712		
Total Investments	$ 31,787,121	$	$ 31,737,975	$ 49,146	$
SPI					
Local Agency Investment Fund	$ 42,238	$	$	$	$ 42,238
Los Angeles County Securities	3,972			3,972	
Negotiable Certificates of Deposit	20,000		20,000		
U.S. Agency Securities	67,761		67,761		
U.S. Treasury Securities:					
U.S. Treasury Bills	35,488		35,488		
Total Investments	$ 169,459	$	$ 123,249	$ 3,972	$ 42,238
Other Specific Investments					
U.S. Treasury Bills	$ 301	$	$ 301	$	$
Total Investments	$ 301	$	$ 301	$	$

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

As permitted by the Government Code, the Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the Treasurer may invest. The table below identifies the investment types that are authorized by the County, along with the related concentration of credit limits:

	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment In One Issuer		Minimum Rating	
Authorized Investment Type	**Gov. Code**	**Pool Policy**	**Gov. Code**	**Pool Policy**	**Gov. Code**	**Pool Policy**	**Gov. Code**	**Pool Policy**
U. S. Treasury Notes, Bills and Bonds	5 years	None (1)	None	None	None	None	None	None
U.S. Agency Securities	5 years	None (1)	None	None	None	None	None	None
Local Agency Obligations	5 years	5 years (2)	None	10%*	None	10%*	None	None (2)
Asset-Backed Securities	5 years	5 years	20%	20%	None	$750 million*	AA	AA (3)*
Bankers' Acceptances	180 days	180 days	40%	40%	30%	$750 million*	None	A-1/P-1/F1*
Negotiable Certificates of Deposit (4)	5 years	3 years*	30%	30%	None	$750 million*	None	A-1/P-1/F1*
Commercial Paper	270 days	270 days	40%	40%	10%	$1.5 billion*	A-1	A-1/P-1/F1
Corporate and Depository Medium-Term Notes (5)	5 years	3 years*	30%	30%	None	$750 million*	A	A-1/P-1/F1*
LAIF	N/A	N/A	None	$65 million (6)*	None	None	None	None
Shares of Beneficial Interest	N/A	N/A	20%	15%*	10%	10%	AAA	AAA
Repurchase Agreements	1 year	30 days*	None	$1 billion*	None	$500 million*	None	None
Reverse Repurchase Agreements	92 days	92 days	20%	$500 million*	None	$250 million*	None	None
Forwards, Futures, and Options	N/A	90 days*	None	$100 million*	None	$50 million*	None	A*
Interest Rate Swaps	N/A	None	None	None	None	None	A	A
Securities Lending Agreements	92 days	92 days	20%	20% (7)	None	None	None	None
Supranationals	5 years	5 years	30%	30%	None	None	AA	AA

(1) Pursuant to the California Government Code 53601, the Board granted authority to make investments in U.S. Treasury Notes, Bills and Bonds, and U.S. Agency Securities that have maturities beyond 5 years.

(2) Any obligation issued or caused to be issued on behalf of other County affiliates must have a minimum rating of "A3" (Moody's) or "A-" (S&P or Fitch) and the maximum maturity is limited to thirty years. Any short- or medium-term obligation issued by the State of California or a California local agency must have a minimum rating of "MIG-1" or "A2" (Moody's) or "SP-1" or "A" (S&P) and the maximum maturity is limited to 5 years.

(3) All Asset-Backed securities must be rated at least "AA". Pool Policy also requires that Asset-Backed securities issuers' debt be rated "A" or its equivalent or better.

(4) Euro Certificates of Deposit are further restricted to a maximum maturity of one year and a maximum percentage of portfolio of 10%.

(5) Floating Rate Notes are further restricted to a maximum maturity of five years, maximum of 10% of the portfolio, and maximum investment in one issuer of $750 million. The maximum maturity may be seven years, provided that the Board's authorization to exceed maturities in excess of five years is in effect, of which $100 million par value may be greater than five years to maturity.

(6) The maximum percentage of the portfolio is based on the investment limit established by LAIF for each account, not by Pool Policy.

(7) The maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

*Represents restriction in which the County's Investment Policy is more restrictive than the California Government Code.

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

A summary of investments held by the Pool at June 30, 2019 is as follows (dollars in thousands):

Pool	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Commercial Paper	$ 9,436,908	$ 9,438,744	2.29% - 2.55%	07/01/19 - 09/05/19	0.06
Corporate and Deposit Notes	102,432	101,616	2.00% - 3.05%	01/10/20 - 03/03/22	1.27
Los Angeles County Securities	49,146	50,000	2.60% - 5.50%	06/30/20 - 06/30/21	1.60
Negotiable Certificates of Deposit	1,900,305	1,900,000	2.31% - 2.71%	07/01/19 - 03/27/20	0.10
U.S. Agency Securities	19,006,583	19,036,285	1.13% - 3.90%	07/01/19 - 07/23/25	2.43
U.S. Treasury Securities:					
U.S. Treasury Notes	148,035	149,332	1.13%	07/31/21 - 09/30/21	2.20
U.S. Treasury Bills	1,143,712	1,142,351	2.31% - 2.64%	07/02/19 - 03/26/20	0.27
Total	$ 31,787,121	$ 31,818,328			1.50

The unrealized loss on investments held in the Pool was $31.21 million as of June 30, 2019. This amount takes into account all changes in fair value that occurred during the year. The method used to apportion the unrealized loss was based on a prorata share of each funds' cash balance as of June 30, 2019 relative to the County Pool balances. A separate financial report is issued for the Pool for the year ended June 30, 2019 and can be obtained at https://ttc.lacounty.gov/investor-information/.

Specific Purpose Investments and Other Specific Investments

A summary of investments held by the SPI and Other Specific Investments at June 30, 2019 is as follows (dollars in thousands):

SPI	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Local Agency Investment Fund	$ 42,238	$ 42,166			0.47
Los Angeles County Securities	3,972	3,790	5.00%	12/02/27	8.43
Negotiable Certificates of Deposit	20,000	20,000	2.07%	06/29/20	1.00
U.S. Agency Securities	67,761	67,669	1.50% - 3.27%	07/27/21 - 12/26/41	13.81
U.S. Treasury Bills	35,488	35,403	2.48% - 2.50%	01/02/20	0.51
Total	$ 169,459	$ 169,028			6.26

5. CASH AND INVESTMENTS-Continued

Specific Purpose Investments and Other Specific Investments-Continued

Other Specific Investments	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
U.S. Treasury Bills	$ 301	$ 301	2.32%	11/29/19	0.42

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's Investment Policy limits most investment maturities to less than five years, with the exception of U.S. Treasury Notes, Bills, and Bonds and U.S. Agency Securities, which may have maturities beyond five years. The Treasurer manages the Pool and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity.

The Treasurer manages the Pool's exposure to declines in fair value by limiting its weighted average maturity target to a range between 1.0 and 2.0 years, in accordance with the Investment Policy. For purposes of computing weighted average maturity, the maturity date of variable-rate notes is the stated maturity.

The balance of the Pool's investments at June 30, 2019 is $31.787 billion, of which 42.28% will mature in six months or less. Of the remainder, 43.46% have a maturity of more than one year. At June 30, 2019, the weighted average maturity in years for the Pool was 1.50.

The California Government Code and the Investment Policy allow the Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The Investment Policy limits the amount invested in floating rate notes to 10% of the Pool portfolio. The Investment Policy prohibits the purchase of inverse floating rate notes and hybrid or complex structured investments and for the year ended June 30, 2019, there were none.

At June 30, 2019, the Pool contained floating rate notes at fair value of $207.21 million (0.65% of the Pool). The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable securities is generally less susceptible to changes in value than fixed rate securities because the variable-rate coupon resets back to the market rate on a periodic basis. There were no variable rate notes in the SPI and Other Specific Investments.

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. County management believes the liquidity in the portfolios is adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost for that purpose.

5. CASH AND INVESTMENTS-Continued

Custodial Credit Risk

Custodial credit risk for investments is the risk that the Treasurer will not be able to recover the value of investment securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Treasurer and are held by either the counterparty, or the counterparty's trust department or agent but not in the Treasurer's name. At year-end, all Pool, SPI and Other Specific Investment securities, except for the Rancho Palos Verdes Redevelopment Agency Tax Allocation Bond (Bond), Bond Anticipation Notes (BANs) and LAIF, were either held by the Treasurer or by the custodian bank in the name of the Treasurer. The Bond and the BANs were held in the Treasurer's vault and are recorded in the Los Angeles County Securities line item. The LAIF investments were managed by the State of California and the County is considered a pool participant.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer, or other counterparty to an investment, will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County mitigates these risks by holding a diversified portfolio of high quality investments.

The Investment Policy establishes acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSRO). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's), and F-1 (Fitch) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased during the year ended June 30, 2019 met the credit rating criteria in the Investment Policy, at the issuer level. However, while the NRSROs did rate the issuer of the investments purchased, the NRSRO did not, in all instances, rate the investment itself (e.g., commercial paper, bankers' acceptances, corporate and deposit notes, negotiable certificates of deposit, and U.S. Treasury bills, bonds and notes). Accordingly, for purposes of reporting the credit quality distribution of investments, some investments are reported as not rated.

The Investment Policy also permits investments in LAIF, pursuant to California Government Code Section 16429.1. At June 30, 2019, a portion of the SPI was invested in LAIF, which is unrated as to credit quality.

The Pool and SPI had the following U.S. Agency and commercial paper securities in a single issuer that represent 5% or more of total investments at June 30, 2019 (dollars in thousands):

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

Issuer	Pool		SPI	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Federal Home Loan Bank	$ 4,075,398	12.82%	$ 36,184	21.35%
Federal Home Loan Mortgage Corporation	6,731,727	21.18%		
Federal Farm Credit Bank	5,618,785	17.68%	23,875	14.09%
Federal National Mortgage Association	2,555,647	8.04%		
United States Treasury			35,488	20.94%
Toronto Dominion Bank			20,000	11.80%

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2019:

Pool	S&P	Moody's	Fitch	% of Portfolio
Commercial Paper	Not Rated	Not Rated	Not Rated	29.69%
Corporate and Deposit Notes (ST)	AA-	A1	AA-	0.08%
	AA-	Aa3	A+	0.08%
Corporate and Deposit Notes (LT)	AA-	Aa3	AA-	0.06%
	AA-	Aa3	A+	0.03%
	AAA	Aaa	AAA	0.07%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	0.15%
Negotiable Certificates of Deposits	AA-	Aa3	Not Rated	0.32%
	Not Rated	P-1	Not Rated	0.16%
	Not Rated	Not Rated	Not Rated	5.50%
U.S. Agency Securities	AA+	Aaa	AAA	46.39%
	Not Rated	Not Rated	AAA	0.08%
	Not Rated	Aaa	AAA	0.23%
	AA+	Aaa	Not Rated	12.11%
	Not Rated	Not Rated	Not Rated	0.98%
U.S. Treasury Securities:				
U.S. Treasury Notes	Not Rated	Aaa	AAA	0.47%
U.S. Treasury Bills	Not Rated	Not Rated	Not Rated	3.60%
				100.00%
SPI				
Local Agency Investment Fund	Not Rated	Not Rated	Not Rated	24.93%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	2.35%
Negotiable Certificates of Deposits	Not Rated	Not Rated	Not Rated	11.80%
U.S Agency Securities	AA+	Aaa	AAA	18.63%
	AA+	Aaa	Not Rated	21.35%
U.S. Treasury Securities:				
U.S. Treasury Bills	Not Rated	Not Rated	Not Rated	20.94%
				100.00%
Other Specific Investments				
U.S. Treasury Bills	Not Rated	Not Rated	Not Rated	100.00%
				100.00%

5. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements

The California Government Code permits the Treasurer to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the broker-dealer a margin against a decline in the fair value of the securities. If the broker-dealer defaults on the obligation to resell these securities to the County or provide securities or cash of equal value, the County would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

The County's investment guidelines limit the maximum par value of reverse repurchase agreements to $500.00 million and proceeds from reverse repurchase agreements may only be reinvested in instruments with maturities at or before the maturity of the reverse repurchase agreement. During the fiscal year, the County did not enter into any reverse repurchase agreements.

Securities Lending Transactions

For the year ended June 30, 2019, the Pool did not enter into any securities lending transactions.

Cash and Investments - Held by Outside Trustees

NPC and JPAs have been established for the purpose of rendering assistance to the County to refinance, acquire, construct, improve, lease and sell properties and equipment, including the construction of buildings, and purchase of equipment, land, and any other real or personal property, for the benefit of County residents, through the issuance of bonds, certificates of participation notes (COPs) and commercial paper.

The NPC and JPAs' cash is invested with the outside trustees and the amounts are held in the NPC and JPAs name. Investment practices are governed by the County's investment guidelines, established pursuant to the California Government Code and the County Board's action.

Investments are stated at fair value. Deposits held by outside trustees as of June 30, 2019 were $234.12 million. A total of $111.90 million of investments held by outside trustees are invested in the Pool. In addition, the outside trustees invested $92.04 million outside of the Pool.

5. CASH AND INVESTMENTS-Continued

Cash and Investments - Held by Outside Trustees-Continued

The following is a summary of deposits and investments held by outside trustees as of June 30, 2019 (dollars in thousands):

	Amortized Cost	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
Money Market Mutual Funds	$92,043	$92,043	0.30% - 2.56%	07/01/19	0.00

The following is a summary of the credit quality distribution and concentration of credit risk as of June 30, 2019:

Other Investments	S&P	Moody's	Fitch	% of Portfolio
Money Market Mutual Funds	Not Rated	Not Rated	Not Rated	100.00%

LACERA Investment Portfolio

Narratives and tables presented for the Pension and OPEB Trust funds managed by the LACERA are taken directly from LACERA's CAFR for the year ended June 30, 2019 (certain terms have been modified to conform with the County's CAFR presentation). The custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk related to Pension and OPEB Trust Funds investments are different than the corresponding risk on investments held by the Treasurer. Detailed deposit and investment risk disclosures are included in Note G, Note I and the fair value measurement disclosures are included in Note P of the LACERA's CAFR.

Investments

Pension and OPEB Trust Funds investments are reported at fair value at June 30, 2019, (in thousands) and are as follows:

	Fair Value
Cash Collateral on Loaned Securities	$ 814,829
Short-term Investments	1,322,051
Domestic and International Equity	26,460,105
Fixed Income	18,508,520
Real Estate*	6,312,866
Private Equity	6,028,265
Hedge Funds	1,890,739
Total	$ 61,337,375

* Refer to Note J of LACERA's CAFR for year ended June 30, 2019, for additional discussion on special purpose entities.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Investments-Continued

The Pension and OPEB Trust Funds also had deposits with the Pool at June 30, 2019 totaling $96.22 million.

Concentration of Credit Risk

The Pension and OPEB Trust Funds portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of total investments or plan net position.

Investment Risks

The County Employees Retirement Law of 1937 (CERL) vests the Board of Investments (BOI) with exclusive control over LACERA's investment portfolio. The BOI established Investment Policy Statements and Manager Guidelines for the management of the LACERA defined benefit retirement plan (Pension Plan) and the LACERA Other Post-Employment Benefit Master Trust (OPEB Master Trust or OPEB Trust). BOI members exercise authority and control over the management of LACERA's Net Position Restricted for Benefits by setting a policy that the investments staff executes either internally or through the use of prudent external experts.

Each Investment Policy Statement recognizes that every investment asset class and type is subject to certain risks. Outlined below are the Investment Risks as they relate to fixed income investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations, causing the investment to decline in value. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the Pension and OPEB plans at an acceptable level of risk within this asset class. To control credit risk, credit quality guidelines have been established.

Investment Grade Bonds

Investment Grade bonds are subdivided into two types of strategies: Core and Core Plus, with target allocation weights of 80% for Core and 20% for Core Plus. Investment guidelines for Core managers require that they invest predominantly in sectors represented in their benchmark index, which consists 100% of bonds rated investment grade. As a result, Core portfolios consist almost 100% of bonds rated investment grade by the major credit rating agencies: Moody's, S&P, and Fitch. Core Plus managers are afforded some latitude to deviate from the benchmark index in order to generate excess return, so investment grade bonds must comprise at least 70% of Core Plus portfolios.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

High Yield Bonds

High yield portfolios use the following credit quality guidelines.

- At least 95.00% of all rated securities, including Rule 144A securities, must be rated B- or higher by S&P or equivalent by a major credit rating agency at the time of purchase.
- Consistent with the preceding requirement, a maximum of 5.00% of the portfolio may be invested in issues rated below B- by S&P or equivalent; however, these issues must be rated at least CCC by S&P or Caa by Moody's.
- Unrated issues may be purchased, provided that, in the judgment of the Investment Manager, they would not violate LACERA's minimum credit criteria.
- Money market instruments must be rated at least A-2/P-2 or equivalent by at least one major credit rating agency.

The credit portfolios allow for the assumption of more credit risk than Investment Grade portfolios by investing in securities that include unrated bonds, bonds rated below investment grade issued by corporations undergoing financial stress or distress, junior tranches of structured securities backed by residential and commercial mortgages, bank loans, illiquid credit, and emerging market debt. LACERA utilizes specific investment guidelines for these portfolios that limit maximum exposure by issuer, industry, and sector, which result in well-diversified portfolios.

The following is a schedule as of June 30, 2019 of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages included in the Pension Plan portfolio of $27.21 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities - Pension Plan
As of June 30, 2019
(dollars in thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Investment	Non U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$ 1,605,167	$ 2,040,089	$ 831	$ 237,230	$	$ 1,980	$ 227,427	$ 4,112,724	22.85%
Aa		4,245	24,668	179,219		3,986	61,327	273,445	1.52%
A			8,696	659,900		11,610	247,339	927,545	5.15%
Baa			13,913	976,853		10,907	273,128	1,274,801	7.08%
Ba				392,778		9,757	287,172	689,707	3.83%
B			91	770,865		36,157	411,389	1,218,502	6.77%
Caa				164,700		558	127,317	292,575	1.63%
Ca			4,918	36,179			1,519	42,616	0.24%
C				574			3	577	0.00%
Not Rated		100,216	5,134	182,793	8,555,790	10,824	314,293	9,169,050	50.93%
Total Investment in Fixed Income Securities - Pension Plan	$ 1,605,167	$ 2,144,550	$ 58,251	$ 3,601,091	$ 8,555,790	$ 85,779	$ 1,950,914	$18,001,542	100.00%

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

High Yield Bonds-Continued

Credit Quality Ratings of Investments in Fixed Income Securities - OPEB Trust
As of June 30, 2019
(dollars in thousands)

Quality Ratings	U.S. Treasuries	Corporate Debt/Credit Securities	Pooled Investments	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$ 2,993	$ 825	$	$ 512	$ 4,330	0.90%
Aa		1,333		468	1,801	0.37%
A		3,382		1,249	4,631	0.97%
Not Rated		679	468,061	271	469,011	97.76%
Total Investment in Fixed Income Securities - OPEB Trust	$ 2,993	$ 6,219	$ 468,061	$ 2,500	$ 479,773	100.00%

Custodial Credit Risk

LACERA's contract with its primary custodian State Street Bank and Trust (Bank) provides that the Bank may hold LACERA's securities registered in the Bank's or its agent's nominee name, in bearer form, book-entry form, with a clearing house corporation, or with a depository, so long as the Bank's records clearly indicate that the securities are held in custody for LACERA's account. The Bank may also hold securities in custody in LACERA's name when required by LACERA. When held in custody by the Bank, the securities are not at risk of loss in the event of the Bank's financial failure, because the securities are not property (assets) of the Bank. Cash invested overnight in the Bank's depository accounts is subject to the risk that in the event of the Bank's failure, LACERA might not recover all or some of those overnight deposits. This risk is mitigated when the overnight deposits are insured or collateralized.

LACERA's policy as incorporated in its current contract with the Bank requires the Bank to certify it has taken all steps to assure all LACERA monies on deposit with the Bank are eligible for and covered by "pass-through insurance," in accordance with applicable law and FDIC rules and regulations. The steps taken by the Bank include paying deposit insurance premiums when due, maintaining a "prompt corrective action" capital category of "well capitalized," and identifying on the Bank's records that it acts as a fiduciary for LACERA with respect to the monies on deposit. In addition, the Bank is required to provide evidence of insurance and to maintain a Financial Institution Bond, which would cover the loss of money and securities with respect to any and all property the Bank or its agents hold in or for LACERA's account, up to the amount of the bond. To implement certain investment strategies, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian other than the Bank.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Counterparty Risk

Counterparty risk for investments is the risk that, in the event of the failure of the counterparty to complete a transaction, LACERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. LACERA and its managers seek to minimize risk of loss from its counterparties by diversifying the number of counterparties, periodically reviewing their credit quality and seeking to structure agreements so that collateral is posted on accrued gains if they reach certain size thresholds.

Concentration of Credit Risk

No more than 5.00% of the Investment Grade bond and High Yield bond portfolios may be invested in securities of a single issuer, except: U.S. Treasury securities, government-guaranteed debt (including G-7 countries), agency debt, agency mortgage-backed securities, and approved commingled funds.

As of June 30, 2019, LACERA did not hold any investments in any one issuer that would represent 5.00% or more of the Pension Plan Fiduciary Net Position nor the OPEB Trust Fiduciary Net Position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage interest rate risk, the duration of all Investment Grade bond portfolios is restricted to +/- 25.00% of the duration of the portfolios' respective benchmarks. Deviations from any of the stated guidelines require prior written authorization from LACERA.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk-Continued

The Duration in Fixed Income Securities - Pension Plan schedule for the year ended June 30, 2019 presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $27.21 million are excluded from this presentation.

Duration in Fixed Income Securities - Pension Plan
As of June 30, 2019
(dollars in thousands)

Investment Type		Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasuries, U.S. Government Agency, and Municipal Instruments:			
U.S. Treasuries	$	1,605,167	8.26
U.S. Government Agency		2,144,550	1.86
Municipal / Revenue Bonds		58,251	9.12
Subtotal U.S. Treasuries, U.S. Government Agency, and Municipal Instruments		3,807,968	
Corporate Bonds and Credit Securities:			
Asset-Backed Securities		506,275	1.63
Corporate and Other Credit		3,121,985	3.55
Fixed Income Swaps and Options		(27,169)	N/A
Pooled Funds		8,555,790	N/A
Subtotal Corporate Bonds and Credit Securities		12,156,881	
Non-U.S. Fixed Income		85,779	3.17
Private Placement Fixed Income		1,950,914	3.03
Subtotal Non-U.S. and Private Placement Securities		2,036,693	
Total Fixed Income Securities - Pension Plan	$	18,001,542	

*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1.00% increase in a bond's yield will cause the bond price to decline 5.00%.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk-Continued

Duration in Fixed Income Securities - OPEB Trust
As of June 30, 2019
(dollars in thousands)

Investment Type		Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasuries Instruments:			
U.S. Treasuries	$	2,993	1.16
Subtotal U.S. Treasuries Instruments		2,993	
Corporate Bonds and Credit Securities:			
Asset-Backed Securities		1,334	0.27
Corporate and Other Credit		4,885	0.55
Pooled Investments		468,061	N/A
Subtotal Corporate Bonds and Credit Securities		474,280	
Private Placement Fixed Income		2,500	0.62
Total Fixed Income Securities - OPEB Trust	$	479,773	

*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1.00% increase in a bond's yield will cause the bond price to decline 5.00%.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA's authorized managers are permitted to invest in approved countries or regions, as stated in their respective investment guidelines. To mitigate foreign currency risk with global equity, LACERA has implemented a passive currency hedging program, which hedges into U.S. dollars approximately 50.00% of LACERA's foreign currency exposure for developed market equities.

The following schedule represents LACERA's exposure to foreign currency risk in U.S. dollars. LACERA is invested in several non-U.S. commingled funds. This means LACERA owns units of commingled funds, and the fund holds the actual securities and/or currencies. The values shown include LACERA's pro rata portion of non-U.S. commingled fund holdings.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Investment Securities at Fair Value - Pension Plan
As of June 30, 2019
(in thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
AFRICA							
Ghanaian Cedi	$	$ 216	$	$	$	$	$ 216
Kenya Shilling	1,884						1,884
Moroccan Dirham	3,425						3,425
Nigerian Naira	11,860	199					12,059
South African Rand	210,439	12,135	26				222,600
AMERICAS							
Argentine Peso	5,374	15,001	159			(88)	20,446
Brazilian Real	212,043	40,224	507				252,774
Canadian Dollar	995,278	597	(583)			(8,732)	986,560
Chilean Peso	29,486	4,711					34,197
Colombian Peso	14,749	13,342	2				28,093
Dominican Peso		215					215
Mexican Peso	83,676	28,228	1,353			(72)	113,185
Peruvian New Sol	10,213	5,610					15,823
Uruguayan Peso		792					792
ASIA							
Australian Dollar	440,681	3,989	374			4,055	449,099
Chinese Renminbi	202,261	8,630	247				211,138
Hong Kong Dollar	911,449	16	1,280			(280)	912,465
Indian Rupee	287,263	15,991					303,254
Indonesian Rupiah	61,900	26,622	63				88,585
Japanese Yen	1,586,453	(982)	3,772			(24,744)	1,564,499
Malaysian Ringgit	49,707	4,522	29				54,258
New Zealand Dollar	36,756	238	73			(120)	36,947
Pakistan Rupee	913						913
Philippine Peso	27,783	1,825	1				29,609
Singapore Dollar	103,413	6,114	70			2	109,599
South Korean Won	442,579	8,084					450,663
Taiwan Dollar	215,762	4,773					220,535
Thai Baht	87,955	12,617	5				100,577
Vietnamese Dong	33,649						33,649
EUROPE							
British Pound Sterling	1,607,880	24,663	5,637	1,497	29,526	21,462	1,690,665
Czech Republic Koruna	2,090	12,597					14,687
Danish Krone	160,765	8,891	81			(913)	168,824
Euro	2,700,632	109,089	16,151	214,554	246,944	(14,453)	3,272,917
Hungarian Forint	14,420	11,199	30				25,649
Iceland Krona		55					55
Norwegian Krone	75,780		566			(36)	76,310
Polish Zloty	25,231	22,626	25				47,882
Romanian New Leu	13,717	3,741					17,458
Russian Ruble	92,780	23,715	454			2	116,951
Swedish Krona	315,312		270			(1,270)	314,312
Swiss Franc	721,518		49			(10,084)	711,483
Ukrainian Hryvnia		1,046					1,046
MIDDLE EAST							
Egyptian Pound	12,027	2,950					14,977
Israeli New Shekel	71,842	1,345	33			(119)	73,101
Jordanian Dinar	5,133						5,133
Qatari Rial	14,716		43				14,759
Saudi Riyal	24,685	(1,250)					23,435
Turkish Lira	50,502	3,311	10				53,823
UAE Dirham	17,092		10				17,102
Total Investment Securities Subject to Foreign Currency Risk - Pension Plan	$ 11,993,073	$ 437,687	$ 30,737	$ 216,051	$ 276,470	$ (35,390)	$12,918,628

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Investment Securities at Fair Value - OPEB Trust
As of June 30, 2019
(in thousands)

Currency	Equity	Fixed Income	Total
AFRICA			
Liberian Dollar	$	$ 3	$ 3
South African Rand	4,243	4,287	8,530
AMERICAS			
Argentine Peso	250	175	425
Brazilian Real	5,553	5,014	10,567
Canadian Dollar	19,218	5,285	24,503
Cayman Islands Dollar		876	876
Chilean Peso	749	1,742	2,491
Colombian Peso	312	3,450	3,762
Dominican Peso		96	96
Mexican Peso	1,872	5,527	7,399
Panamanian Balboa		76	76
Peruvian New Sol	250	1,778	2,028
Uruguayan Peso		158	158
ASIA			
Australian Dollar	13,664	428	14,092
Chinese Renminbi	21,152		21,152
Hong Kong Dollar	7,051		7,051
Indian Rupee	6,988		6,988
Indonesian Rupiah	1,560	4,976	6,536
Japanese Yen	46,734	478	47,212
Malaysian Ringgit	1,622	2,971	4,593
New Zealand Dollar	686		686
Pakistan Rupee	62		62
Philippine Peso	811	270	1,081
Singapore Dollar	2,683	8	2,691
South Korean Won	9,172	116	9,288
Taiwan Dollar	8,423		8,423
Thai Baht	2,246	4,248	6,494
EUROPE			
British Pound Sterling	32,196	2,852	35,048
Czech Republic Koruna	125	2,127	2,252
Danish Krone	3,307	55	3,362
Euro	59,025	7,191	66,216
Hungarian Forint	187	2,232	2,419
Norwegian Krone	1,685	138	1,823
Polish Zloty	811	4,490	5,301
Romanian Leu		1,204	1,204
Russian Ruble	2,621	3,976	6,597
Swedish Krona	5,927	193	6,120
Swiss Franc	16,534		16,534
MIDDLE EAST			
Egyptian Pound	125		125
Iraqi Dinar		217	217
Israeli New Shekel	1,435	32	1,467
Jordanian Dinar		7	7
Qatari Rial	686		686
Saudi Riyal	998		998
Turkish Lira	437	1,773	2,210
UAE Dirham	499		499
Total Investment Securities Subject to Foreign Currency Risk - OPEB Trust	$ 281,899	$ 68,449	$ 350,348

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program

The Board of Investments' policies authorize LACERA to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower), and in turn, LACERA receives cash and non-cash collateral. When cash collateral is received, the income that is generated from securities lending has two sources: lending and reinvestment. LACERA pays the borrower interest on the collateral and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. When non-cash collateral is received, the borrower pays a fee for borrowing the security.

LACERA's securities lending program is managed by two parties: LACERA's custodian bank, State Street Bank and Trust, and a third-party lending agent, Goldman Sachs Agency Lending (GSAL). The Bank lends LACERA's non-U.S. equities, U.S. Treasury, and U.S. Agency securities. GSAL lends LACERA's U.S. equities and corporate bonds. Collateralization is set on non-U.S. loans at 105% and on U.S. loans at 102% of the market value of securities on loan.

State Street Global Advisors invests the collateral received from both lending programs. The collateral is invested in short-term highly liquid instruments. The maturities of the investments made with cash collateral typically do not match the maturities of their securities loans. Loans are marked-to-market daily, so that if the market value of a security on loan rises, LACERA receives additional collateral. Conversely, if the market value of a security on loan declines, then the borrower receives a partial return of the collateral. Earnings generated in excess of the interest paid to the borrowers represent net income. LACERA shares this net income with the two lending agents based on contractual agreements.

Under the terms of their lending agreements, both lending agents provide borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities" when loaned securities are not returned. LACERA does not have the ability to pledge assets received as collateral without a borrower default. In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent is liable to LACERA for the difference, plus interest. Either LACERA or the borrower of the security can terminate a loan on demand.

At fiscal year end, LACERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. As of June 30, 2019, there were no known violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2019.

As of June 30, 2019, the fair value of securities on loan was $927.07 million, with a value of cash collateral received of $814.83 million, which is included in Other payables on the financial statements, and non-cash collateral of $136.35 million. LACERA's income, net of expenses from securities lending, was $4.49 million for the year ended June 30, 2019.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program-Continued

Securities Lending
As of June 30, 2019
(in thousands)

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received	Non-Cash Collateral Received	Calculated Mark (1)
U.S. Equity	$ 197,819	$ 199,522	$	$
U.S. Fixed Income	674,828	604,323	90,445	115
Non-U.S. Equity	54,423	10,984	45,906	1,204
Total	$ 927,070	$ 814,829	$ 136,351	$ 1,319

(1) Calculated Mark is performed daily, and it is the amount LACERA will collect from the borrower (if the amount is positive), or payment to the borrower (if the amount is negative), to bring the collateralization to appropriate levels based on market value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. These investments are disclosed in the following table:

Interest Rate Risk Analysis
As of June 30, 2019
(dollars in thousands)

				Investment Maturities (in years)			
Investment Type	Notional Value (Dollar)	Notional Shares Units	Fair Value	Less Than 1	1 - 5	6 - 10	More than 10
Credit Default Swaps Bought	$ 136,585		$ (9,509)	$	$ (9,509)	$	$
Credit Default Swaps Written	22,574		618		608		9
Fixed Income Options Bought		38,600	36	36			
Fixed Income Options Written		(255,602)	(74)	(72)	(1)		(1)
Pay Fixed Interest Rate Swaps	1,082,132		(32,205)		(10,106)	(7,664)	(14,436)
Receive Fixed Interest Rate Swaps	222,420		3,963	1,184	273	181	2,325
Total Return Swaps Bond	73,135		(1,263)	(1,263)			
Total Return Swaps Equity	(518,403)		11,551	11,610	(59)		
Total	$1,018,443	(217,002)	$(26,883)	$ 11,495	$(18,794)	$ (7,483)	$(12,103)

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Hedge Funds

The hedge fund category of investments is not a separate asset class but is comprised of strategies that may: 1) invest in securities within LACERA's existing asset classes or across multiple asset classes; 2) have an absolute return objective; and 3) include the ability to use specialized techniques, such as leverage and short-selling, and instruments such as derivatives.

As of the fiscal year end, LACERA employed two hedge fund of funds managers, Grosvenor Capital Management (GCM) and Goldman Sachs Asset Management (GSAM), with discretion to construct hedge fund portfolios. The hedge fund of funds managers identify, select, implement, and monitor portfolios consistent with LACERA's stated objectives, constraints, and Investment Policy Statement. Additionally, LACERA invested directly with five investment managers as part of a Direct hedge funds portfolio.

LACERA's Investment Policy Statement establishes the portfolio framework for the hedge funds program. Each underlying investment in the entire hedge fund program is in an entity legally structured to limit liability for each investor to the capital invested by that investor.

The GCM diversified portfolio, GSAM diversified portfolio, and Direct portfolio reside within the Diversified Hedge Funds class under the Risk Reduction and Mitigation functional asset category of LACERA's Total Fund, and the GCM credit portfolio resides within the Credit functional asset category. A prior credit portfolio, also managed by GCM, was liquidated during the fiscal year.

The investment performance for this strategy is measured separately from other asset classes. The fair value of assets invested in hedge funds as of June 30, 2019 was $1.891 billion.

Fair Value

For the year ended June 30, 2016, LACERA adopted GASB 72, "Fair Value Measurement and Application". GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. LACERA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the investment securities and assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Certain investments held by LACERA are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with the requirements of GAAP.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Equity and Fixed Income Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Fixed income and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fixed income and equity securities classified in Level 3 are securities whose stated market price is unobservable by the marketplace; many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by LACERA's custodian bank.

Hedge Funds, Private Equity, and Real Estate Funds

Investments in hedge funds, private equity, and real estate funds are valued at estimated fair value, as determined in good faith by the General Partner (GP), in accordance with GAAP fair value principles and in instances where no observable public market values are available. Investments which are estimated at fair value, are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are reported by LACERA based on the practical expedient allowed under GAAP.

Real Estate Separate Account Investments

Investments in real estate are valued at estimated fair value, as determined in good faith by the Investment Manager. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the Investment Manager. Properties are subject to independent third party appraisals every three years.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments and Derivatives Measured at Fair Value - Pension Plan
As of June 30, 2019
(in thousands)

Investments by Fair Value Level	Total	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$ 506,275	$	$ 506,194	$ 81
Corporate and Other Credit	3,121,985		3,116,458	5,527
Municipal/Revenue Bonds	58,251		58,251	
Non-U.S. Fixed Income	85,780		85,780	
Pooled Investments	7,243	7,243		
Private Placement Fixed Income	1,950,914		1,950,914	
U.S. Government Agency	2,144,550		2,144,550	
U.S. Treasuries	1,605,167		1,605,167	
Whole Loan Mortgages	27,205			27,205
Total Fixed Income Securities	9,507,370	7,243	9,467,314	32,813
Equity Securities				
Non-U.S. Equity	1,811,817	1,810,709	1,100	8
Pooled Investments	285,532	285,532		
U.S. Equity	13,932,458	13,920,038	11,499	921
Total Equity Securities	16,029,807	16,016,279	12,599	929
Collateral from Securities Lending	814,829		814,829	
Total Investments by Fair Value Level	$ 26,352,006	$ 16,023,522	$ 10,294,742	$ 33,742
Investments Measured at NAV				
Fixed Income	$ 8,548,547			
Equity	9,805,218			
Hedge Funds	1,890,739			
Private Equity	6,028,265			
Real Estate	6,192,619			
Total Investments Measured at NAV	32,465,388			
Total Investments	$ 58,817,394			
Derivatives				
Foreign Exchange Contracts	$ (35,389)	$	$ (35,389)	$
Foreign Fixed Income Derivatives	5,868	(10)	5,878	
Foreign Equity Derivatives	(223)	(223)		
U.S. Equity Derivatives	1,264	1,264		
U.S. Fixed Income Derivatives	(33,038)	(314)	(32,724)	
Total Derivatives	$ (61,518)	$ 717	$ (62,235)	$

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments Measured at the Net Asset Value - Pension Plan
As of June 30, 2019
(dollars in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds (1)	$ 8,548,547	$	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds (2)	9,805,218	14,544	Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds (3)	1,890,739	18,500	Daily, Monthly, Quarterly, Semi-Annual, Annual, Self-Liquidating	5-180 days
Private Equity (4)	6,028,265	4,337,030	Not Eligible	N/A
Real Estate (4)	6,192,619	970,531	Quarterly or Not Eligible	30 days+ or N/A
Total Investments Measured at the NAV	$32,465,388			

(1) Commingled Fixed Income Funds: 9 fixed income funds are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; 2 of the funds representing 3% of Commingled Fixed Income assets have liquidity available at the end of the fund terms which range from 3 to 7 years.

(2) Commingled Equity Funds: 13 equity funds are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; 3 of the funds representing 5% of Commingled Equity assets have liquidity subject to lock up periods that limit or prohibit redemptions for the next 3 to 4 years.

(3) Hedge Funds: This portfolio consists of 70 funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms, 78% of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next 12 months. The remaining 22% of fund assets are in self-liquidating funds which do not permit voluntary redemption/withdrawals or in funds that offer periodic liquidity that extends beyond the next 12 months.

LACERA's Hedge Funds portfolio invests in the following strategies:
(a) Macro and Tactical Trading: This strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis.
(b) Equity Long/Short: This strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors.
(c) Credit: This strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit.
(d) Relative Value: This strategy's main focus is to benefit from valuation discrepancies that may be present in related financial instruments by purchasing and/or shorting these instruments.
(e) Multi-Strategy: This strategy aims to pursue varying strategies in order to diversify risks and reduce volatility.
(f) Event Driven: This strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event.

(4) Private Equity and Real Estate Funds: LACERA's Private Equity portfolio consists of 207 funds, investing primarily in Buyout Funds, with some exposure to Venture Capital, Special Situations. Due to contractual limitations, none of the 207 funds are eligible for redemption for up to 10 years. The Real Estate portfolio, composed of 23 commingled funds, invests in both U.S. and Non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued at the end of the period and net assets valued one quarter in arrears plus current quarter cash flows. 2 out of 23 Real Estate funds are eligible for redemption depending upon the availability of cash for redemptions in the fund. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note J - Special Purpose Entities of LACERA's CAFR.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments Measured at Fair Value - OPEB Trust
As of June 30, 2019
(in thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$ 1,334	$	$ 1,334	$
Private Placement Fixed Income	2,500		2,500	
Corporate and Other Credit	4,885		4,885	
Pooled Investments	122,194	122,194		
U.S. Treasuries	2,993		2,993	
Total Fixed Income Securities	133,906	122,194	11,712	
Total Investments by Fair Value Level	$ 133,906	$ 122,194	$ 11,712	$
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$ 345,867			
Equity	624,039			
Real Estate Investment Trust (REIT)	120,247			
Total Investments Measured at NAV	1,090,153			
Total Investments	$ 1,224,059			

Investments Measured at Net Asset Value - OPEB Trust
As of June 30, 2019
(dollars in thousands)

	Fair Value	Unfunded Commitments (2)	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds	$ 345,867	$	Daily, Monthly	1-30 days or N/A
Commingled Equity Fund	624,039		Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	120,247		Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV (1)	$ 1,090,153			

(1) Commingled Funds: The OPEB Master Trust is invested in 7 funds that are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month.

(2) There are no unfunded commitments in the OPEB Trust. As of June 30, 2019, there was $2.26 million uninvested cash in the OPEB Trust which was deposited into the OPEB cash account and then subsequently invested after month end.

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 is as follows (in thousands):

Governmental Activities	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	$ 2,454,914	24,070		$ 2,478,984
Easements	4,956,047	67,822	(37,045)	4,986,824
Software in progress	17,533	45,673	(6,779)	56,427
Construction in progress-buildings and improvements	304,336	356,963	(129,556)	531,743
Construction in progress-infrastructure	336,419	102,225	(22,494)	416,150
Subtotal	8,069,249	596,753	(195,874)	8,470,128
Capital assets, being depreciated:				
Buildings and improvements	5,733,153	353,349	(7,274)	6,079,228
Equipment	1,688,641	184,911	(90,714)	1,782,838
Software	490,208	10,804		501,012
Infrastructure	7,930,769	35,934	(11,400)	7,955,303
Subtotal	15,842,771	584,998	(109,388)	16,318,381
Less accumulated depreciation for:				
Buildings and improvements	(2,061,979)	(124,928)	(79,052)	(2,265,959)
Equipment	(1,189,861)	(122,294)	52,710	(1,259,445)
Software	(235,140)	(43,308)		(278,448)
Infrastructure	(4,153,417)	(157,155)	2,157	(4,308,415)
Subtotal	(7,640,397)	(447,685)	(24,185)	(8,112,267)
Total capital assets, being depreciated, net	8,202,374	137,313	(133,573)	8,206,114
Governmental activities capital assets, net	$ 16,271,623	734,066	(329,447)	$ 16,676,242
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 153,058		(18,126)	$ 134,932
Easements	31,578	56		31,634
Construction in progress-buildings and improvements	349,138	56,352	(144,285)	261,205
Construction in progress-infrastructure	42,083	7,346	(12,453)	36,976
Subtotal	575,857	63,754	(174,864)	464,747
Capital assets, being depreciated:				
Buildings and improvements	2,749,234	145,345	(225,165)	2,669,414
Equipment	412,371	67,961	(84,407)	395,925
Software	58,922			58,922
Infrastructure	1,268,671	12,453		1,281,124
Subtotal	4,489,198	225,759	(309,572)	4,405,385

6. CAPITAL ASSETS-Continued

Business-type Activities-Continued

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Less accumulated depreciation for:				
Buildings and improvements	$ (888,659)	(55,315)	90,418	$ (853,556)
Equipment	(265,298)	(26,640)	33,682	(258,256)
Software	(38,980)	(3,787)		(42,767)
Infrastructure	(624,864)	(23,459)		(648,323)
Subtotal	(1,817,801)	(109,201)	124,100	(1,802,902)
Total capital assets, being depreciated, net	2,671,397	116,558	(185,472)	2,602,483
Business-type activities capital assets, net	3,247,254	180,312	(360,336)	3,067,230
Total capital assets, net	$ 19,518,877	914,378	(689,783)	$ 19,743,472

Depreciation Expense

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:	
General government	$ 44,646
Public protection	168,099
Public ways and facilities	89,803
Health and sanitation	49,670
Public assistance	11,758
Education	5,399
Recreation and cultural services	43,931
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	34,379
Total depreciation expense, governmental activities	$ 447,685
Business-type activities:	
Hospitals	$ 83,142
Waterworks	23,877
Aviation	2,182
Total depreciation expense, business-type activities	$ 109,201

6. CAPITAL ASSETS-Continued

Discretely Presented Component Units

LACDA

Capital assets activity for the LACDA component unit for the year ended June 30, 2019, was as follows (in thousands):

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	$ 92,447		(3,183)	$ 89,264
Construction in progress-buildings and improvements	4,881	2,941	(4,747)	3,075
Subtotal	97,328	2,941	(7,930)	92,339
Capital assets, being depreciated:				
Buildings and improvements	228,680	8,970		237,650
Equipment	10,355	161	(447)	10,069
Software		1,025		1,025
Subtotal	239,035	10,156	(447)	248,744
Less accumulated depreciation for:				
Buildings and improvements	(155,690)	(4,410)		(160,100)
Equipment	(8,315)	(632)	434	(8,513)
Software		(51)		(51)
Subtotal	(164,005)	(5,093)	434	(168,664)
Total capital assets being depreciated, net	75,030	5,063	(13)	80,080
LACDA capital assets, net	$ 172,358	8,004	(7,943)	$ 172,419

First 5 LA

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2019, was as follows (in thousands):

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not being depreciated-				
Land	$ 2,039			$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	12,076			12,076
Equipment	2,815	97		2,912
Subtotal	14,891	97		14,988
Less accumulated depreciation for:				
Buildings and improvements	(3,164)	(242)		(3,406)
Equipment	(2,720)	(60)		(2,780)
Subtotal	(5,884)	(302)		(6,186)
Total capital assets being depreciated,net	9,007	(205)		8,802
First 5 LA capital assets, net	$ 11,046	(205)		$ 10,841

7. SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB 60, "Accounting and Financial Reporting for Service Concession Arrangements (SCA)," (GASB 60) defines an SCA as a type of public-private or public-public partnership. An SCA is an arrangement, which meets specific criteria under GASB 60, between a government (the transferor) and an operator.

The County determined that golf courses met the criteria set forth in GASB 60 (where the County is the transferor) and therefore included these SCAs in the County's financial statements as deferred inflows of resources. GASB 60 also provides guidance on accounting treatment if the County were acting as an operator of another government's facility. The County has determined that there are no incidences where the County would qualify as an operator.

Golf Courses

The County manages a public golf course system, which offers affordable greens fees, discount programs for senior citizens and students, and a junior golf program. Each golf course is leased under agreement with an operator, which provides for activities such as golf course management, clubhouse operations, and food and beverage concessions. The operators collect user fees and are responsible for the day-to-day operations of the golf courses. The operators are required to operate and maintain the golf courses, and make installment payments to the County, in accordance with their respective contracts.

As of June 30, 2019, the present value of the installment payments under contract is estimated to be $82.85 million and reported as deferred inflows of resources in the statement of net position. The present values of the installment payments were calculated using discount rates of 5.12%, 3.55% and 3.70% for the term of the agreement for each SCA. The lease terms for the twenty golf courses cover remaining periods ranging from 5 to 20 years as of June 30, 2019. The FY 2018-2019 total monthly installment payments are approximately $667,000. The County primarily uses the proceeds to fund parks and recreation operations, 10% of which is set aside for future golf course capital improvements. The acquisition value of the golf courses, including land, buildings, and construction in progress, is reported at $24.37 million as of June 30, 2019.

8. PENSION PLAN

Plan Description

The County pension plan is administered by LACERA, which was established under the CERL. LACERA is a cost-sharing, multi-employer defined benefit plan. It provides benefits to employees of the County and the following additional entities that are not part of the County's reporting entity:

Los Angeles Superior Court
Little Lake Cemetery District
Local Agency Formation Commission
Los Angeles County Office of Education (LACOE)
South Coast Air Quality Management District (SCAQMD)

New employees of LACOE hired on or after July 1971 and new employees of SCAQMD hired after December 31, 1979 are not eligible for LACERA benefits.

LACERA issues a stand-alone financial report, which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199 or at www.LACERA.com.

8. PENSION PLAN-Continued

Benefits Provided

Benefits are authorized in accordance with the California Constitution, the CERL, the bylaws, and procedures and policies adopted by LACERA's Boards of Retirement and Investments. The Board may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members.

LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. Vesting occurs when a member accumulates 5 years of creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, as well as age at retirement and length of service as of the retirement date, according to applicable statutory formula. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service are required for nonservice-connected disability eligibility according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

Contributions

LACERA has nine benefit tiers known as A, B, C, D, E and G, and Safety A, B and C. All tiers except E are employee contributory. Tier E is employee non-contributory. Prior to December 31, 2012, new general members were only eligible for tier D or E and new safety members were only eligible for Safety B. As of January 1, 2013, new general employees are only eligible for tier G and new safety members are only eligible for Safety C. These new tiers were added as a result of the California Public Employees' Pension Reform Act of 2013 (PEPRA) and became effective January 1, 2013. Rates for the tiers are established in accordance with State law by LACERA's Boards of Retirement and Investments and the County Board.

The following employer rates were in effect for FY 2018-2019:

July 1, 2018 - September 30, 2018	A	B	C	D	E	G
General Members	26.06%	17.50%	16.80%	18.70%	19.57%	18.04%
Safety Members	34.45%	27.75%	23.73%			

October 1, 2018 - June 30, 2019	A	B	C	D	E	G
General Members	26.94%	18.04%	16.85%	18.51%	19.84%	18.53%
Safety Members	34.11%	28.36%	23.97%			

8. PENSION PLAN-Continued

Contributions-Continued

The rates were determined by the actuarial valuation performed as of June 30, 2017. The assumptions remained unchanged from the assumptions used in the actuarial valuation performed as of June 30, 2016. The employer contribution rates used in FY 2018-2019, beginning October 1, 2018, increased by 0.05% to 0.88% over the rates used in FY 2017-2018 and may increase again during the following fiscal year. The most significant factor causing the increase was the additional year phase-in of the cost impact of the 2016 assumption changes.

Employee rates vary by option and employee entry age from 5% to 16% of their annual covered salary.

During FY 2018-2019, the County contributed the full amount of the Actuarial Determined Contribution, as determined by the actuarial valuations, in the form of semi-monthly cash payments in the amount of $1.605 billion.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the County reported a liability of $10.345 billion for its proportionate share of the net pension liability in accordance with the parameters of GASB 68, "Accounting and Financial Reporting For Pensions-An Amendment of GASB Statement No. 27" (GASB 68). The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, projected forward to the measurement date, taking into account any significant changes between the valuation date and the measurement date. The County's proportion of the net pension liability was based on a projection of the County's future contribution effort to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2018, the County's proportionate share was 96.17%, which was an increase of 0.05% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of $1.382 billion which is reported as $1.165 billion for governmental activities and $0.217 billion for business-type activities. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	$ 418,426	$
Change in assumptions		2,221,442
Change in experience	650,863	260,144
Change in proportion and differences between County contributions and proportionate share of contributions	272,711	314,851
Contributions made subsequent to measurement date		1,605,150
Total	$ 1,342,000	$ 4,401,587

8. PENSION PLAN-Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-Continued

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner in accordance with GASB 68. Investment gains or losses are recognized in pension expense over a five year period and economic/demographic gains or losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members, which is 8 years.

Amounts currently reported as deferred outflows and inflows of resources, other than contributions related to pension, will be recognized in pension expense as follows (in thousands):

	Deferred Outflows/(Inflows) of Resources
Year Ending June 30:	
2020	$ 623,973
2021	312,986
2022	(379,808)
2023	102,385
2024	352,829
Thereafter	442,072

Deferred outflows of $1.605 billion related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Actuarial Assumptions

Valuation Timing	June 30, 2017, rolled forward to June 30, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.75%
General Wage Growth	3.25%
Projected Salary Increases	3.51% to 11.51%
Investment Rate of Return	7.38%, net of investment expense, including inflation
Cost of Living Adjustments (COLA)	Based on changes in the Consumer Price Index from the previous January 1 to the current January 1, to the nearest 0.50% of 1.00%, limited to a maximum of 3.00%. Supplemental Targeted Adjustment for Retirees (STAR) COLA benefits are assumed to be substantively automatic at the 80% purchasing power level until the STAR reserve is projected to be insufficient to pay further STAR benefits.
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MP2014 Ultimate Projection Scale. See June 30, 2017 actuarial valuation for details. It can be found at www.LACERA.com.
Experience Study	Covers the three year period ended June 30, 2016.

8. PENSION PLAN-Continued

Actuarial Assumptions-Continued

The long-term expected rate of return on pension plan investments (7.25%, net of all expenses) was determined using a building block method in which a median, or expected, geometric rate of return was developed for each major asset class. The median rates were combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentages.

For the year ended June 30, 2018:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)
Global Equity	43.40%	5.70%
Fixed Income	26.60%	2.60%
Real Estate	11.00%	4.60%
Private Equity	10.00%	6.90%
Commodities	2.80%	1.60%
Hedge Funds	4.20%	3.10%
Other Opportunities	0.00%	4.50%
Cash	2.00%	(0.20)%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. This is equal to the 7.25% long-term investment return assumption adopted by LACERA (net of investment and administrative expenses), plus 0.13% assumed administrative expenses. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to pay all projected future benefit payments of current active and inactive plan members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the County's proportionate share of the net pension liability calculated using the discount rate of 7.38%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.38%) or 1-percentage point higher (8.38%) than the current rate (in thousands):

	1% Decrease (6.38%)	Discount Rate (7.38%)	1% Increase (8.38%)
Net Pension Liability	$19,053,004	$10,345,209	$ 3,146,511

8. PENSION PLAN-Continued

Pension Plan Fiduciary Net Position

Detailed information about pension plan fiduciary net position as of June 30, 2018 is available in the separately issued LACERA financial report, which can be found at www.LACERA.com.

Deferred Compensation Plans

The County offers to its employees three deferred compensation plans created in accordance with Sections 401 and 457 of the Internal Revenue Code. One or more of these plans are available to substantially all employees and allow participants to defer a portion of their current income until future years.

Plan Description and Funding Policy

The Deferred Compensation and Thrift Plan was established as a Section 457 defined contribution plan covering employees who have achieved full time and permanent employment status. The Plan is designed to permit these employees to voluntarily defer a portion of their compensation and provide for retirement and death benefits. The plan is funded by employer and employee contributions. As of June 30, 2019, the County provided up to a 4% matching contribution per pay period of the employee's voluntary contribution. Employer and employee contributions are deposited into the participant accounts and invested based on participant selected options. Total employer contributions for the year ended June 30, 2019, were $259.37 million.

The Savings Plan is a Section 401(k) defined contribution plan covering eligible full-time permanent employees of the County not covered by collective bargaining agreements and who desire to participate in the Plan. Employees eligible for voluntary participation in this plan are also eligible for participation in the Deferred Compensation and Thrift Plan. The plan is funded by employer and employee contributions. As of June 30, 2019, the County provided up to a 4% matching contribution per pay period of the employee's voluntary contribution. Employer and employee contributions are deposited into the participant accounts and invested based on participant selected options. Total employer contributions for the year ended June 30, 2019, were $69.80 million.

The Pension Savings Plan is a Section 457 defined contribution plan covering part-time, temporary and seasonal County employees who are not eligible to participate in the retirement programs provided through the LACERA. The Plan was established in lieu of employee coverage under Social Security. Participation in the plan is mandatory and employees must contribute a minimum of 4.5% of their eligible earnings and the County makes a contribution equal to 3% of compensation. Participants may contribute additional amounts beyond the required 4.5%. Total employer contributions for the year ended June 30, 2019, were $8.99 million.

The plans are administered through a third-party administrator. The assets of the plans are held in trust by Wells Fargo Bank, N.A. and invested at the direction of the participants. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

9. OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare

Plan Description

LACERA administers a cost-sharing, multi-employer Retiree Healthcare (RHC) OPEB program on behalf of the County, its affiliated Superior Court, and four outside districts. The outside districts include: Little Lake Cemetery District, Local Agency Formation Commission, LACOE and the South Coast Air Quality Management District.

In April 1982, the County adopted an ordinance pursuant to Government Code Section 31691, which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreements to continue to support LACERA's retiree insurance benefits program regardless of the status of active member insurance.

In June 2014, the LACERA Board approved the County's request to modify the agreements to create a new retiree healthcare benefit plan in order to lower its Retiree Healthcare Program (RHP) costs. Structurally, this means the County will be segregating all current retirees and current employees into RHP Tier 1 and placing all employees hired after June 30, 2014 into RHP Tier 2. Under the new RHP Tier 2, retirees who are eligible for Medicare will be required to enroll in that program. In addition, coverage will be available for employees or eligible survivors only.

Pursuant to the 1982, 1994, and 2014 Agreements between the County and LACERA, the parties agreed to the continuation of the health insurance benefits then in existence. The County agreed to subsidize a portion of the insurance premiums of certain retired members and their eligible dependents based on the member's length of service. The County further agreed to maintain the status quo of existing benefits provided to participants. As part of the 2014 Agreement, the County modified the existing healthcare benefit plan, which created a new benefit structure, Tier 2, for all employees hired after June 30, 2014. LACERA agreed not to change retired members' contributions toward insurance premiums or modify medical benefit levels without the County's prior consent. Active employees are not required to make contributions to the plan.

Pursuant to the California Government Code, the County established an irrevocable OPEB Trust for the purpose of holding and investing assets to pre-fund the RHP, which LACERA administers. On May 15, 2012, the County Board entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. The OPEB Trust does not modify the County's benefit programs.

LACERA issues a stand-alone financial report that includes the required information for the OPEB plan. The report is available at its offices located at Gateway Plaza, 300 North Lake Avenue, Pasadena, California 91101-4199 or www.LACERA.com.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Benefits Provided

Health care benefits earned by County employees are dependent on the number of completed years of retirement service credited to the retiree by LACERA upon retirement; it does not include reciprocal service in another retirement system. Service includes all service on which the member's retirement allowance was based.

The RHC OPEB Program offers members an extensive choice of medical plans as well as two dental/ vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as the Medicare Supplement or Medicare HMO plans. Coverage is available regardless of preexisting medical conditions. Under Tier 2, retirees who are eligible for Medicare are required to enroll in that program. Medicare-eligible retirees and their covered dependents must enroll in Medicare Parts A and B and in a Medicare HMO plan or Medicare Supplement plan under Tier 2.

Medical and Dental/Vision - Program benefits are provided through third party insurance carriers with the participant's cost for medical and dental/vision insurance varying according to the years of retirement service credit with LACERA, the plan selected, and the number of persons covered. The County contribution subsidizing the participant's cost starts at 10 years of service credit in the amount of 40% of the lesser of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. For each year of retirement service credit earned beyond 10 years, the County contributes 4% per year, up to a maximum of 100% for a member with 25 years of service credit. The County contribution can never exceed the premium of the benchmark plans. Members are responsible for premium amounts above the benchmark plans, including those with 25 or more years of service credit.

Under Tier 1, the County subsidy is based on the coverage elected by the retiree. The benchmark plans are Anthem Blue Cross Plans I and II for medical and Cigna Indemnity Dental/Vision for dental and vision. Under Tier 2, the County subsidy is based on retiree only coverage. Tier 2 medical benchmark plans are Anthem Blue Cross Plans I and II for Medicare-ineligible members, Anthem Blue Cross Plan III for Medicare-eligible members, and Cigna Indemnity Dental/Vision for dental and vision plans.

Medicare Part B - The County reimburses the member's Medicare Part B Standard rate premiums paid by member to Social Security for Part B coverage, subject to annual approval by the County Board of Supervisors. Eligible members and their dependents must be enrolled in both Medicare Part A and Medicare Part B and enrolled in a LACERA- administered Medicare HMO Plan or Medicare Supplement Plan and meet all of the qualifications. Under Tier 2, the County reimburses for Medicare Part B (at the standard rate) for eligible members or eligible survivors only.

Disability - If a member is granted a service-connected disability retirement and has less than 13 years of service, the County contributes the lesser of 50% of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. Under Tier 2, the benchmark plan rate is based on retiree-only premiums. A member with 13 years of service credit receives a 52% subsidy. This percentage increases 4% for each additional completed year of service, up to a maximum of 100%.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Benefits Provided-Continued

Death/Burial Benefit - There is a one-time lump-sum $5,000 death/burial benefit payable to the designated beneficiary upon the death of a retiree, reimbursed to LACERA by the County. Active and vested terminated (deferred) members are eligible for this benefit once they retire. Spouses and dependents are not eligible for this death benefit.

Contributions

The County's required contribution during FY 2018-2019 is on a pay-as-you-go basis. During FY 2018-2019, the County made payments to LACERA totaling $604.52 million for retiree health care benefits. Included in this amount was $67.80 million for Medicare Part B reimbursements and $8.60 million in death benefits. Additionally, $47.80 million was paid by member participants. During FY 2018-2019, the County also contributed $182.85 million in excess of the pay-as-you-go amounts.

Investments

The LACERA Board of Investments is responsible for setting the investment policy and investing any contributions made to the OPEB Trust from the participating employers. In December, 2017, the LACERA Board of Investments adopted a revised asset allocation policy which divides the OPEB Trust into four broad functional categories and contain asset classes that align with the purpose of each function. The approved target weights provide for diversification of assets in an effort to meet the LACERA's actuarial assumed rate of return, consistent with market conditions and risk control. The following was the adopted asset allocation policy as of June 30, 2018.

Asset Class	Target Allocation		Weighted Average Long-Term Expected Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)	
Growth	50.00%		4.70%	
Global Equity		50.00%		4.70%
U.S. Equity	20.00%		2.40%	
High Yield Bonds		6.00%		2.60%
Bank Loans		10.00%		2.20%
EM Local Currency Bonds		4.00%		2.60%
Risk Reduction & Mitigation	10.00%		0.70%	
Cash Equivalents		2.00%		0.10%
Investment Grade Bonds		8.00%		0.80%
Inflation Hedges	20.00%		2.50%	
TIPS		6.00%		0.50%
Real estate (REITs)		10.00%		3.90%
Commodities		4.00%		1.80%

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Retiree Healthcare OPEB Plan

Annual RHC OPEB Expense and Net OPEB Liability

At June 30, 2019, the County reported a liability of $23.591 billion for its proportionate share of the net RHC OPEB liability. The net RHC OPEB liability was measured as of June 30, 2018, and the total RHC OPEB liability used to calculate the net RHC OPEB liability was determined by an actuarial valuation as July 1, 2017, projected forward to the measurement date taking into account any significant changes between the valuation date and the measurement date. The County's proportion of the net OPEB liability was based on a projection of the County's future contribution effort to the OPEB plan relative to the projected contributions of all OPEB participants actuarially determined. At June 30, 2018, the County's proportionate share was 95.39%, which was the same as the proportion measured at June 30, 2017.

For the year ended June 30, 2019, the County recognized OPEB expense of $1.631 billion which is reported as $1.353 billion for governmental activities and $0.278 billion for business-type activities. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of change in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to RHC OPEB from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	$ 50,178	$
Change of assumptions	2,928,167	
Change in experience	1,170,484	
Change in proportion and differences between County contributions and the proportionate share of contributions	555,809	559,601
Contributions made subsequent to measurement date		787,366
Total	$ 4,704,638	$ 1,346,967

The deferred inflows of resources and deferred outflows of resources above represent the unamortized portion of changes to the net RHC OPEB liability to be recognized in future periods in a systematic and rationale manner in accordance with GASB 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB 75). Investment gains or losses are recognized in OPEB expense over a five year period and economic/demographic gains or losses and assumption changes or inputs are recognized over the average remaining service life of all active and inactive members, which is 9 years.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Annual RHC OPEB Expense and Net OPEB Liability-Continued

Amounts currently reported as deferred outflows and inflows of resources, other than contributions related to RHC OPEB, will be recognized in RHC OPEB expense as follows (in thousands):

	Deferred Outflows/(Inflows) of Resources
Year Ending June 30:	
2020	$ (550,310)
2021	(550,310)
2022	(550,310)
2023	(540,022)
2024	(535,193)
Thereafter	(1,418,892)

Deferred outflows of resources of $787.37 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

Actuarial Methods and Assumptions

Valuation Timing	July 1, 2017, rolled forward to June 30, 2018
Actuarial Cost Method	Individual Entry Age Normal, Level Percent of Pay
Asset Valuation Method	Fair Market Value
Inflation	2.75%
Salary Increases	3.25% general wage increase and merit according to Table A-5 of the June 30, 2017 actuarial valuation of retirement benefits. It can be found at www.LACERA.com.
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MO Healthcare Cost Trend Rates P-2014 Ultimate Projection Scale.
Experience Study	Covers the three year period ended June 30, 2016.
Discount Rate	5.11%
Long-term expected rate of return, net of investment expenses	6.30%
20 Year Tax-Exempt Municipal Bond Yield	3.87%

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Actuarial Methods and Assumptions-Continued

Healthcare Cost Trend rates:

	Initial Year	Ultimate
LACERA Medical Under 65	5.80%	4.50%
LACERA Medical Over 65	6.00%	4.50%
Part B Premiums	9.25%	4.35%
Dental/Vision	0.00%	3.70%
Weighted Average Trend	5.85%	4.47%

Discount Rate

GASB 75 requires determination of whether the OPEB Trust's Fiduciary Net Position is projected to be sufficient to make projected benefit payments. The Plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate based on the 20-year Bond Buyer GO index (municipal bond rate) which was 3.87% as of June 30, 2018. For 2018, the long-term expected rate of return of 6.30% was applied to projected benefit payments from 2018 to 2058. The municipal bond rate was applied to the remaining periods. The resultant blended discount rate used to measure the Total OPEB Liability as of June 30, 2018 was 5.11%, an increase of 0.42% from the rate as of June 30, 2017.

Sensitivity of the County's Proportionate Share of the RHC OPEB Liability to Changes in the Discount Rate

The following represents the County's proportionate share of the net RHC OPEB liability calculated using the discount rate of 5.11%, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.11%) or 1-percentage point higher (6.11%) than the current rate (in thousands):

	1% Decrease (4.11%)	Discount Rate (5.11%)	1% Increase (6.11%)
Net RHC OPEB Liability	$ 28,263,233	$ 23,590,686	$ 19,905,335

Sensitivity of the County's Proportionate Share of the RHC OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the County's proportionate share of the net RHC OPEB liability, as well as what the County's proportionate share of the net RHC OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
Net RHC OPEB Liability	$ 19,236,410	$ 23,590,686	$ 29,369,024

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

OPEB Plan Fiduciary Net Position

Detailed information about OPEB plan fiduciary net position as of June 30, 2018 is available in the separately issued LACERA financial report, which can be found at www.LACERA.com.

Long-Term Disability

Plan Description

The County provides LTD benefits to employees and these benefits have been determined to fall within the definition of OPEB, per GASB 75. The LTD plans are administered by the County and are not administered through a trust. Each of the LTD plans are a single employer plan and the amounts paid by the County are paid when the benefits become due during the reporting period. These LTD benefits provide for income replacement if an employee is unable to work because of illness or injury. The Board approved the County's original LTD plan effective March 3, 1982. Effective January 1, 1991, a new Megaflex plan was approved by the Board and includes a Megaflex LTD plan and a LTD Health plan. The LTD Health plan was added to the LTD program and made available to all participants effective January 1, 2002.

Benefits Provided

The benefit provisions of the four LTD plans is as follows:

Eligibility

Non-Megaflex Income/Survivor Income Benefit (SIB) - The Plans cover:

(1) An employee who becomes totally disabled as a direct result of an injury or disease while performing his/her assigned duties; or,
(2) An employee who becomes totally disabled after having completed five or more years of continuous service with the County; or,
(3) A qualified beneficiary of a deceased employee who had previously become totally disabled as a direct result of an injury or disease while performing his/her assigned duties;
(4) A qualified beneficiary of a deceased employee who had previously become totally disabled after having completed five or more years of continuous service with the County.
(5) A qualified beneficiary of an employee who dies as a direct result of an injury or disease while performing his/her assigned duties, or,
(6) A qualified beneficiary of an employee who dies in active service after having completed five or more years of continuous service with the County.

Megaflex Income/SIB - The Plans covers:

(1) An employee purchases LTD coverage and then becomes totally disabled; or,

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Benefits Provided-Continued

(2) An employee who becomes totally disabled after having completed five or more years of continuous service with the County and is a member of Retirement Plan E.
(3) The Qualified Beneficiary of a Retirement Plan E participant who is currently enrolled in the SIB plan at the time of death.

Non-MegaFlex Member LTD Health Plan - The plan continues medical insurance coverage for employees who are receiving or eligible to receive LTD Income benefits and are enrolled in one of the County approved health plans.

MegaFlex Member LTD Health Plan - The plan continues medical insurance coverage for employees who are receiving or eligible to receive LTD Income benefits and are enrolled in one of the County approved health plans.

Benefit Formula

Non-Megaflex Income/SIB - The plan provides a basic monthly benefit of:

(1) 60% of Basic Monthly Compensation (commences after 6 months of disability).
(2) Annual COLA, beginning after 2 years of benefit payments (limited to a maximum of 2%/ year), if disabled after 1/1/2001.
(3) For a qualified beneficiary, 55% of the LTD disability benefit that the employee was receiving or would have received immediately prior to death; and, continues for the life of the qualified surviving spouse/domestic partner and upon spousal death to the qualified children beneficiaries.

Megaflex Income/SIB - The plan provides a basic monthly benefit of:

(1) 40% or 60% of Basic Monthly Compensation (commences after 6 months of disability)
    a. Plan E members
        (1) With 5+ years of services 40% non-elective or can buy up to 60
        (2) With less than 5 years of service: can buy 40% or 60%
    b. Plan A, B, C, or D members: can buy 40% or 60%
(2) Annual COLA, beginning after 2 years of benefit payments (limited to a maximum of 2% per year), if disabled after 1/1/2001.
(3) For a qualified beneficiary, the plan provides a basic monthly benefit of 10%, 15%, 25%, 35%, or 50% of employee's monthly salary if they elected.

Non-MegaFlex Member LTD Health Plan - The plan pays 75% of monthly medical premiums for disabled members.

MegaFlex Member LTD Health Plan - The plan pays 75% of monthly medical premiums for disabled members.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Benefits Provided-Continued

Maximum Period

Non-Megaflex Income/SIB and Megaflex Income/SIB - LTD benefits stop when:

(1) Employee is no longer totally disabled or turns age 65, whichever occurs first. However, if employee is age 62 or older when benefit commences, benefit can continue beyond age 65 (length depends on age at commencement) as follows:

Age at Disability	Maximum Period
62	3 ½
63	3
64	2 ½
65	2
66	1 ¾
67	1 ½
68	1 ¼
69 and older	1

or

(2) Employee takes early or normal retirement under Plan E.

Employees covered by benefit terms

At June 30, 2018, the following employees were covered by the benefit terms:

LTD Income and Survivor Benefit Plans:	
Inactive employees or beneficiaries currently receiving benefit payments	2,518
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	74,357
LTD Health Plans	
Inactive employees or beneficiaries currently receiving benefit payments	594
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	65,168

Total LTD OPEB Liability

At June 30, 2019, the County reported a total LTD OPEB liability of $1.048 billion. The total LTD OPEB liability was determined by an actuarial valuation as of July 1, 2017, rolled forward to July 1, 2018.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Actuarial Methods and Assumptions

Valuation Timing	July 1, 2017, rolled forward to July 1, 2018
Actuarial Cost Method	Individual Entry Age Normal, Level Percent of Pay
Inflation	The inflation rate is included in the salary increase percentage and the Healthcare cost trend rates.
Salary Increases	3.25% general wage increase and merit according to Table A-5 of the June 30, 2017 RHC OPEB Program's actuarial valuation report. It can be found at www.LACERA.com.
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MO Healthcare Cost Trend Rates - 2014 Ultimate Projection Scale.
Discount Rate	Equal to the municipal bond rate based on the 20-year Bond Buyer GO index (municipal bond rate), which was 3.58% as of June 30, 2017 and 3.87% as of June 30, 2018.

Healthcare Cost Trend rates:

Year	Rate (preMedicare/ post Medicare)	Year	Rate (pre Medicare/ post Medicare)
2017-2018	4.40%/4.60%	2037-2038	6.10%/5.60%
2018-2019	5.80%/6.00%	2047-2048	5.70%/5.60%
2019-2020	6.30%/6.00%	2057-2058	5.50%/5.80%
2020-2021	6.70%/6.50%	2067-2068	5.10%/5.30%
2021-2022	5.70%/6.10%	2077-2078	4.50%/4.60%
2022-2023	5.80%/6.10%	2087-2088	4.50%/4.60%
2023-2024	5.30%/5.30%	2097-2098	4.50%/4.50%
2024-2025	5.40%/5.40%	2099+	4.50%/4.50%
2025-2026	5.60%/5.40%		
2026-2027	5.80%/5.40%		
2027-2028	5.90%/5.50%		

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Changes in the Total LTD OPEB Liability (in thousands):

Total OPEB Liability at 6/30/2017	$	1,073,040
Service cost		43,162
Interest		38,818
Changes of benefit terms		
Differences between expected and actual experience		1,111
Changes of assumptions or other inputs		(43,574)
Benefit payments		(64,313)
Net Changes		(24,796)
Total LTD OPEB Liability at 6/30/2018	$	1,048,244

Changes of assumptions or other inputs reflect a change in the discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

Sensitivity of the Total LTD OPEB Liability to Changes in the Discount Rate

The following represents the County's total LTD OPEB liability calculated using the discount rate of 3.87%, as well as what the County's total LTD OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate (in thousands):

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total LTD OPEB Liability	$ 1,192,924	$ 1,048,244	$ 921,111

Sensitivity of the County's Total LTD OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the County's total LTD OPEB liability, as well as what the County's total LTD OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
Total LTD OPEB Liability	$ 1,038,396	$ 1,048,244	$1,059,759

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long Term Disability-Continued

OPEB Expense and the Deferred Outflows of Resources and Deferred Inflows of Resources Related to LTD OPEB

For the year ended June 30, 2019, the County recognized LTD OPEB expense of ($15.21) million which is reported as ($8.01) million for governmental activities and ($7.20) million for business-type activities. OPEB expense represents the change in the total LTD OPEB liability during the measurement period, adjusted for the deferred recognition of change in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to LTD OPEB from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Change in experience	$	$ 1,509
Change of assumptions	128,444	
Change in proportionate share	60,390	60,390
Total	$ 188,834	$ 61,899

The deferred inflows of resources and deferred outflows of resources above represent the unamortized portion of changes to the total LTD OPEB liability to be recognized in future periods in a systematic and rationale manner in accordance with GASB 75. Economic/demographic gains or losses, assumption changes or inputs, and change in proportion are recognized over the average remaining service life of all active and inactive members, which is 12 years. The change in proportionate share represents the changes in allocation percentages to the individual funds, including the proprietary funds, of the total OPEB LTD liability from the prior measurement date to the current measurement date.

Amounts currently reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows (in thousands):

	Deferred Outflows/(Inflows) of Resources
Year Ending June 30:	
2020	$ (12,339)
2021	(12,339)
2022	(12,339)
2023	(12,339)
2024	(12,339)
Thereafter	(65,240)

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long Term Disability-Continued

Combined Balances of the Net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and the OPEB Expense

The following total balances are reflected in the accompanying statement of net position (in thousands):

	RHC OPEB	LTD OPEB	Total
Net OPEB Liability	$ 23,590,686	$ 1,048,244	$ 24,638,930
Deferred Outflows of Resources	1,346,967	61,899	1,408,866
Deferred Inflows of Resources	4,704,638	188,834	4,893,472
OPEB Expense	1,633,970	(15,213)	1,618,757

10. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2019 (in thousands):

Year Ending June 30	Governmental Activities
2020	$ 84,945
2021	65,940
2022	51,320
2023	40,434
2024	33,796
2025-2029	98,648
2030-2034	46,555
2035-2039	22,221
2040-2044	15,153
2045-2049	12,880
Total	$ 471,892

Rent expenses related to operating leases were $102.51 million for the year ended June 30, 2019.

10. LEASES-Continued

Capital Lease Obligations

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of future minimum lease payments as of June 30, 2019 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2020	$ 27,439	$ 78
2021	27,196	52
2022	26,708	34
2023	26,669	11
2024	26,506	
2025-2029	94,114	
2030-2034	62,917	
2035-2038	27,840	
Total	319,389	175
Less: Amount representing interest	162,502	10
Present value of future minimum lease payments	$ 156,887	$ 165

The following is a schedule of property under capital leases by major classes at June 30, 2019 (in thousands):

	Governmental Activities	Business-type Activities
Land	$ 32,238	$
Buildings and improvements	142,638	
Equipment	59,471	276
Accumulated depreciation	(73,193)	(117)
Total	$ 161,154	$ 159

Future rent revenues to be received from noncancelable subleases are $838,000 as of June 30, 2019.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, regional parks, asset development projects and Whiteman Airport. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain regional parks are leased under agreements, which provide for activities such as food and beverage concessions, and recreational vehicle camping. The asset development projects are ground leases and development agreements are entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. The Whiteman Airport lease is for hanger space. The asset development leases cover remaining periods ranging generally from 3 to 79 years and are accounted for in the General Fund. The lease terms for the regional parks cover remaining periods ranging from 1 to 20 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 59 years and are accounted for in the General Fund. The airport lease covers a remaining period of 12 years and is accounted for in the Aviation Enterprise Fund.

10. LEASES-Continued

Leases of County-Owned Property-Continued

The land carrying value of the asset development project ground leases and the Marina del Rey Project area leases is $650.23 million. The carrying value of the capital assets associated with the regional park and Whiteman Aiport operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2019 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2020	$ 49,601	$ 192
2021	49,580	196
2022	49,481	201
2023	46,775	206
2024	44,329	212
Thereafter	1,673,427	1,637
Total	$ 1,913,193	$ 2,644

The following is a schedule of rental income for these operating leases for the year ended June 30, 2019 (in thousands):

	Governmental Activities	Business-type Activities
Minimum rentals	$ 44,812	$ 186
Contingent rentals	21,387	
Total	$ 66,199	$ 186

The minimum rental income is a fixed amount based on the lease agreements. The contingent rental income is a percentage of revenue above a certain base for the asset development leases or a calculated percentage of the gross revenue less the minimum rent payment for the other leases.

11. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans from direct borrowings and direct placements, pension (see Note 8), OPEB (see Note 9), capital lease obligations (see Note 10) and other liabilities, which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

11. LONG-TERM OBLIGATIONS-Continued

A summary of bonds, and notes and loans from direct borrowings and direct placements recorded within governmental activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2019
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.00% to 5.25%	$ 275,535	$ 14,610
NPC Bonds, 5.00%	26,986	4,709
Public Buildings Certificates of Participation and Bonds, 0.32% to 7.62%	1,377,476	1,367,157
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	395,748
NPC Bond Anticipation Notes, 1.75% to 2.96%	50,000	50,000
Marina del Rey Loans, 4.50% to 4.70%	23,500	12,222
Lease Revenue Obligation Notes, 1.27% to 2.70%	239,175	239,175
Total	$ 2,312,499	$ 2,083,621

A summary of bonds, and notes and loans from direct borrowings and direct placements recorded within business-type activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2019
NPC Bonds, 5.00%	$ 10,494	$ 1,831
Public Buildings Certificates of Participation and Bonds, 0.32% to 7.62%	774,228	732,123
Lease Revenue Obligation Notes, 1.27% to 2.70%	323,145	323,145
Waterworks District Loans, 2.28%	8,869	6,931
Aviation Loan, 2.95%	2,000	1,614
Total	$ 1,118,736	$ 1,065,644

Assessment Bonds

The RPOSD issued voter approved assessment bonds in 1997, some of which were advance refunded in FY 2004-2005 and the remainder in FY 2007-2008, to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the RPOSD. As discussed in Note 4, the bonds were purchased by the Public Works Financing Authority (Authority) and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the pledged proceeds of annual assessments levied on parcels within RPOSD's boundaries. The current year assessment revenues were $28.66 million.

11. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds-Continued

The bonds mature in FY 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. The Authority Master Indenture of Trust contains a provision that in an event of default, outstanding principal and accrued interest may be declared due and payable immediately. Total principal and interest remaining on the bonds is $13.97 million, not including unamortized bond premiums. Principal and interest for the current year were $13.99 million.

Principal and interest requirements on assessment bonds are as follows (in thousands):

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	$ 13,620	$ 352
Subtotal	13,620	$ 352
Add: Unamortized bond premiums	990	
Total assessment bonds	$ 14,610	

Certificates of Participation and Bonds

The County has issued lease revenue bonds through various financing entities that have been established and are component units of the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. The County has pledged a total of 15 County-owned properties as collateral for various bonds, including the new bonds below.

During FY 2018-2019, LACF issued $302.38 million of lease revenue bonds, which includes $297.28 million in tax-exempt lease revenue bonds (Series 2018A) and $5.10 million in federally taxable lease revenue bonds (Series 2018B), to finance the construction of the Vermont Corridor County Administration Building and parking structure. The proceeds from these bonds plus the associated premium of $44.18 million less issuance costs of $1.98 million were used to fund the Project Fund, totaling $297.13 million, and the Capitalized Interest Fund, totaling $47.45 million. The County has pledged four County-owned properties as collateral for the debt. In addition, the Indenture of Trust contains a provision that in an event of default, the outstanding principal and interest accrued may be declared due and payable immediately. The debt was only issued for governmental activities.

Principal and interest requirements on NPC bonds and Public Buildings certificates of participation and bonds for governmental activities and business-type activities are as follows (in thousands):

11. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation and Bonds-Continued

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2020	$ 34,892	$ 79,606	$ 19,430	$ 43,874
2021	39,571	70,925	18,727	42,821
2022	50,020	60,843	19,340	41,779
2023	54,920	58,366	20,185	40,668
2024	34,381	55,935	21,089	39,468
2025-2029	198,914	248,647	122,046	175,017
2030-2034	220,282	188,368	155,783	129,614
2035-2039	222,209	126,325	197,592	72,459
2040-2044	210,396	61,520	129,644	11,535
2045-2049	110,765	21,708		
2050-2052	50,530	3,874		
Subtotal	1,226,880	$ 976,117	703,836	$ 597,235
Add: Accretions	21,699			
Unamortized bond premiums	123,287		30,118	
Total certificates of participation and bonds	$ 1,371,866		$ 733,954	

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the LACSC under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of $ 319.83 million and a residual certificate in exchange for the rights to receive and retain 25.90% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the Sale Agreement. Residuals through 2019 were $131.51 million. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be $ 1.438 billion. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.70% interest rate at the time of the sale, was $309.23 million. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds are as follows:

Year Ending	Governmental Activities	
June 30	Principal	Interest
2020	$	$ 18,777
2021	14,175	18,777
2022		17,136
2023		17,136
2024		17,136
2025-2029	46,370	82,406
2030-2034		69,311
2035-2039	62,196	55,680
2040-2044	53,157	34,810
2045-2046	97,824	10,782
Subtotal	273,722	$ 341,951
Add: Accretions	122,026	
Total tobacco settlement asset-backed bonds	$ 395,748	

Notes, Loans, and Lease Revenue Obligation Notes

Notes from Direct Placements

BANs are issued by LACCAL to provide interim financing for equipment purchases. BANs are purchased by the County Treasury Pool and are payable within 5 years. In addition, the BANs are issued with a formal agreement that, in the event they are not liquidated within the five-year period, they convert to capital lease obligations with a three-year term secured by County real property. During FY 2018-2019, LACCAL, an Internal Service Fund, issued additional BANs in the amount of $30.00 million as reflected in governmental activities and $0 as reflected in business-type activities. As of June 30, 2019, the unissued BANS balance is $17.50 million and the note balance is $50.00 million for governmental activities only.

Loans from Direct Borrowings

Marina del Rey loans were obtained from the California Department of Boating and Waterways for the restoration and renovation of the marina seawall. The loans are secured by Marina del Rey lease revenue and by Los Angeles County Music Center parking revenues. The loan contract contains a provision that in the event the County fails to make payment due, all principal and interest outstanding shall become immediately due and payable, and the deficiency will be added to, and become part of, the principal of the loan. As of June 30, 2019, the balance is $12.22 million.

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Loans from Direct Borrowings-Continued

In June 2010, the Board approved a resolution authorizing the Waterworks Districts to obtain Safe Drinking Water State Revolving loans in the amount of $3.41 million and $5.47 million from the California Department of Public Health to fund the Sepulveda Feeder Interconnection project (Malibu) and the Marina del Rey Waterline Replacement project (Marina), respectively. The loans will be repaid over 20 years and are secured by revenues from surcharges collected for capital improvements. Annual principal and interest payments of the loans are expected to require less than 46.73% of the annual surcharge revenues. The funding agreements contain a provision that in an event of default, obligations may be immediately due and payable, and further disbursements may be terminated. During FY 2018-2019, the County did not obtain any additional loans. As of June 30, 2019, total loans drawn are $3.40 million on the Sepulveda Feeder Interconnection project and $5.47 million on the Marina del Rey Waterline Replacement project. As of June 30, 2019, the balance is $6.93 million.

In July 2014, the Board approved the Whiteman Airport Leasehold Interest Acquisition Project, with a total Project cost of $4.02 million. To partially finance the acquisition, the Aviation Enterprise Fund obtained an Airport Development Loan from the State of California Department of Transportation, Aeronautics Program for $2.00 million with an annual interest rate of 2.95%. The Airport Development Loan will be repaid over 17 years with revenue generated by rental income. The loan agreement contains a provision that if the County fails to comply with or perform any term or condition in the agreement, or fails to pay the annual loan payment, the entire outstanding principal amount of the loan and all accrued interest may be immediately due and payable. In addition, the County may be ineligible for future financing under the program. During FY 2018-2019, the County did not obtain any additional airport development loans. As of June 30, 2019, the balance is $1.62 million.

Lease Revenue Obligation Notes from Direct Borrowings

Lease revenue obligation notes (LRON) provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion. Repayment of LRON are secured by four irrevocable direct-pay letters of credit (LOC) from separate banks supporting the issuance of LRON. This program is secured by fifteen County-owned properties pledged as collateral in a lease-revenue financing structure with LACCAL. The LOCs were issued for a five-year period and have a termination date of April 4, 2024. The County has the option to extend the LOCs for an additional one-year period or to some other term mutually agreed to with the participating banks.

The aggregate maximum principal amount of the four LOCs is $600.00 million, which consists of $100.00 million of Series A (Bank of the West), $200.00 million of Series B (U.S. Bank), $200.00 million of Series C (Wells Fargo Bank), and $100.00 million of Series D (State Street Bank). The County is responsible for the payment of a non-refundable letter of credit fee for each LOC on a quarterly basis in an amount equal to the rate per annum corresponding to the lowest long-term unenhanced debt ratings assigned by any of Moody's, S&P, or Fitch to any Lease Obligation Debt of the County. The letter of credit fee for all four series of LOCs is equal to 0.35% of the maximum principal amount of the LOC. As of June 30, 2019, $562.32 million of LRON issued under the program were outstanding, including $100.00 million of Series A, $186.84 million of Series B, $175.48 million of Series C, and $100.00 million of Series D.

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes from Direct Borrowings-Continued

LRON are issued as variable rate instruments with a maximum term not to exceed 270 days. On the maturity date of LRON, the notes are reissued at the prevailing interest rates in the note market, which reflects the term of the note and the perceived credit quality of the supporting letter of credit bank. In the event the notes are not able to be reissued in the note market, the bank will make a Principal Advance to pay the principal of the maturing note. If the Principal Advance remains outstanding longer than 90 days, a term loan is created to repay the bank. During FY 2018-2019, the County reissued $75.49 million for governmental activities and reissued $249.10 million for business-type activities, representing the total amounts outstanding at the beginning of the year. These reissues, along with an additional $237.73 million of new County LRON, which is reported as $163.69 million for governmental activities and $74.04 million for business-type activities, are reflected as notes payable. The total outstanding LRON as of June 30, 2019 is $562.32 million, which is reported as $239.18 million for governmental activities and $323.14 million for business-type activities. The average interest rate on LRON issued in FY 2018-2019 was 1.34%.

Principal and interest requirements on NPC BANS, Marina del Rey Loans and LRON for governmental activities and NPC BANS, Waterworks District Loans, Aviation Loan and LRON for business-type activities are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2020	$ 260,170	$ 550	$ 323,444	$ 127
2021	31,039	505	504	196
2022	1,086	458	516	184
2023	1,135	410	528	171
2024	1,186	359	541	158
2025-2029	6,781	942	2,910	588
2030-2034			2,976	219
2035			271	3
Total notes, loans, and LRON	$ 301,397	$ 3,224	$ 331,690	$ 1,646

11. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

The following summarizes total future principal and interest requirements for the various debt issues referenced above (in thousands):

	Governmental Activities		Business-type Activities	
Debt Type	Principal	Interest	Principal	Interest
Assessment bonds	$ 13,620	$ 352	$	$
Certificates of participation and bonds	1,226,880	976,117	703,836	597,235
Tobacco settlement asset-backed bonds	273,722	341,951		
Notes, Loans, and LRON from direct borrowings and placements	301,397	3,224	331,690	1,646
Subtotal	1,815,619	$ 1,321,644	1,035,526	$ 598,881
Add: Accretions	143,725			
Unamortized premiums on bonds payable	124,277		30,118	
Total bonds and notes	$ 2,083,621		$ 1,065,644	

Long-term liabilities recorded in the government-wide statement of net position include accreted interest on zero coupon bonds and unamortized bond premiums.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. GASB 86, "Certain Debt Extinguishment Issues," requires that debt also be considered defeased when cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust to extinguish debt. Accordingly, the trust account assets and the related debt service payments for the defeased bonds would not be reflected in the County's statement of net position. At June 30, 2019, there were no outstanding bonds and certificates of participation considered defeased.

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2019 (in thousands):

	Balance July 1, 2018	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2019	Due Within One Year
Governmental activities:					
Bonds payable	$ 1,272,794	302,380	60,952	$ 1,514,222	$ 48,512
Add: Unamortized premium on bonds payable	82,158	44,179	2,060	124,277	2,572
Total bonds payable	1,354,952	346,559	63,012	1,638,499	51,084
Interest accretion on capital appreciation bonds payable	152,040	3,603	11,918	143,725	14,489
Notes, loans, and LRON from direct borrowings and placements	112,220	269,175	79,998	301,397	260,170
Other long-term liabilities:					
Capital lease obligations (Note 10)	162,606	1,586	7,305	156,887	9,990
Accrued compensated absences	1,557,458	219,250	117,257	1,659,451	104,185
Workers' compensation (Note 18)	2,509,435	586,551	465,603	2,630,383	488,835
Litigation and self-insurance (Note 18)	207,723	144,432	87,831	264,324	139,820
Pollution remediation obligation (Note 19)	46,022	1,639	3,549	44,112	1,177
Net pension liability (Note 8)	9,221,697		443,257	8,778,440	
Net OPEB liability (Note 9)	21,815,813		1,371,199	20,444,614	
Third party payor	54,306	179,903	154,719	79,490	56,543
Total governmental activities	$37,194,272	1,752,698	2,805,648	$ 36,141,322	$ 1,126,293
Business-type activities:					
Bonds payable	$ 724,816		20,980	$ 703,836	$ 19,430
Add: Unamortized premium on bonds payable	31,275		1,157	30,118	1,259
Total bonds payable	756,091		22,137	733,954	20,689
Notes, loans, and LRON from direct borrowings and placements	259,574	323,145	251,029	331,690	323,444
Other long-term liabilities:					
Capital lease obligations (Note 10)	235		70	165	73
Accrued compensated absences	225,614	9,355	14,445	220,524	12,622
Workers' compensation (Note 18)	348,993	47,215	36,774	359,434	39,853
Litigation and self-insurance (Note 18)	91,550	1,746	9,990	83,306	26,740
Net pension liability (Note 8)	1,628,234		61,465	1,566,769	
Net OPEB liability (Note 9)	4,506,330		312,014	4,194,316	
Third party payor (Note 14)	733,097	42,727	226,874	548,950	2,961
Total business-type activities	$ 8,549,718	424,188	934,798	$ 8,039,108	$ 426,382

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

For governmental activities, the General Fund, the Fire Protection District Special Revenue Fund and the LA County Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued compensated absences, pension, OPEB, and litigation and self-insurance.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds. Accretions decreased during FY 2018-2019, thereby decreasing liabilities for Bonds by $8.32 million for governmental activities. Note 18 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance.

Discretely Presented Component Unit

Long-term debt obligations and corresponding activity for the LACDA discretely presented component unit for the year ended June 30, 2019, was as follows (in thousands):

	July 1, 2018	Additions	Maturities	Balance June 30, 2019	Due Within One Year
Governmental activities:					
Notes from direct borrowing	$ 15,386	3,120	7,922	$ 10,584	$ 1,564
Compensated absences	903	1,181	1,084	1,000	900
Capital lease obligations	980	14	256	738	247
Claims payable	4,546	1,992	3,016	3,522	352
Net pension liability	22,520		2,417	20,103	
Net OPEB liability	2,108	549	1,141	1,516	
Total governmental activities	$ 46,443	6,856	15,836	$ 37,463	$ 3,063
Business-type activities:					
Bonds payable	$ 34,140		700	$ 33,440	$ 735
Notes from direct borrowing	2,200			2,200	
Compensated absences	774	987	864	897	808
Net pension liability	16,882		1,905	14,977	
Net OPEB liability	330	68	141	257	
Total business-type activities	$ 54,326	1,055	3,610	$ 51,771	$ 1,543
Total long-term obligations	$ 100,769	7,911	19,446	$ 89,234	$ 4,606

12. SHORT-TERM DEBT

On July 2, 2018, the County issued $700.00 million of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 1.55%. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2018. The notes matured and were redeemed on June 28, 2019.

13. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2019, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $22.86 million and limited obligation improvement bonds totaling $1.14 million. The bonds were issued to finance the cost of various construction activities and infrastructure improvements, which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund.

Industrial Development and Other Conduit Bonds

Industrial development bonds, and other conduit bonds, have been issued to provide financial assistance to private sector entities and nonprofit corporations for the acquisition of industrial and health care facilities, which provide a public benefit. The bonds are secured by the facilities acquired and/or bank letter of credit and are payable solely from project revenue or other pledged funds. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2019, the amount of industrial development and other conduit bonds outstanding was $69.06 million.

Redevelopment Refunding Bonds

The County of Los Angeles Redevelopment Refunding Authority, a JPA between the County and the Public Works Financing Authority, was established to issue bonds that would enable successor agencies to former redevelopment agencies within the County to refund their outstanding tax allocation bonds in order to achieve debt service savings and to provide significant economies of scale through reduced costs of issuance and lower interest rates. The bonds are secured by a lien on future tax revenues of successor agencies. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2019, the amount of redevelopment refunding bonds outstanding was $620.77 million.

14. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Medi-Cal Demonstration Project: Medi-Cal 2020

On December 30, 2015, the federal Centers for Medicaid and Medicare Services (CMS) approved the special terms and conditions (STCs) for Medi-Cal 2020 - a five-year renewal of California's Section 1115(a) Medi-Cal Demonstration Project, which provides California with new federal funding through programs with an intent to shift focus away from hospital-based and inpatient care, towards outpatient, primary, and preventative care. Medi-Cal 2020 covers the period January 1, 2016 to December 31, 2020.

Revenues for the public hospitals under Medi-Cal 2020 are composed of:

1) Global Payment Program
2) Public Hospitals Redesign and Incentives in Medi-Cal
3) Whole Person Care

Global Payment Program

The Global Payment Program (GPP) is a payment reform program that aims to change the way county-owned and operated Public Hospital Systems (PHS) in California are compensated for providing care to the remaining uninsured. The program encourages a shift away from cost-based, hospital-centric models of care, through financial incentives to provide cost-effective primary and specialty care.

The GPP funds are comprised of Disproportional Share Hospital (DSH) funds that otherwise would have been allotted to a PHS, and Safety Net Uncompensated Care Pool (SNCP). DSH is a federal program to support safety-net hospital caring for a disproportionate share of low-income patients. SNCP was established under California's 2005 waiver to support services provided to uninsured patients. The GPP lifts restrictions that have historically impeded providing services for the remaining uninsured in the most appropriate setting for each patient, and now includes non-traditional methods of care delivery that have not been covered under either program.

The shift from volume to value is done through a value-based point methodology, which takes into account both the value of care to the patient, and the recognition of costs to the health care system.

Each participating PHS has an opportunity to earn a global budget for care to the remaining uninsured, and must meet service thresholds to receive full funding. Points are assigned to services in the following categories:

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Global Payment Program-Continued

- Traditional Outpatient (e.g., primary or specialty care visit, dental, ER/urgent care, mental health visit).
- Non-Traditional Outpatient (e.g., health coaching, care navigation, community wellness encounters).
- Technology-Based Outpatient (e.g., nurse advice line, email consultation, provider-to-provider eConsult for specialty care).
- Inpatient and Facility Stays (e.g., trauma care, ICU stays, recuperative care, respite care, sober center stays, skilled nursing facility stays).

The County provides funding for the State of California's (State's) share of the program by "using Intergovernmental Transfers (IGTs)" to draw down federal matching funds.

The estimated GPP revenues and related IGTs recorded in FY 2018-2019, in thousands, were as follows:

	GPP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	$ 302,472	$ 160,348
Olive View-UCLA Medical Center	131,180	61,642
LAC+USC Medical Center	323,826	244,631
Rancho Los Amigos National Rehab Center	118,117	101,666
Total	$ 875,595	$ 568,287

The General Fund received $352.34 million for GPP and paid $62.82 million of related IGTs, which were recorded as "Charges for Services" revenue and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Public Hospital Redesign and Incentives in Medi-Cal

The Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program is the successor to the 2010 Bridge to Reform waiver's Delivery System Reform Incentive Program (DSRIP), a pay-for-performance program that improves care delivery to prepare California's PHS for an influx of newly covered patients through the implementation of the Affordable Care Act (ACA).

PRIME directs PHS, district, and municipal hospitals to use evidence-based quality improvement methods to achieve ambitious, year-over-year performance targets. All federal funding for this program is contingent on meeting these targets.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Public Hospital Redesign and Incentives in Medi-Cal-Continued

Efforts within PRIME include (1) increasing the capability to furnish patient-centered, data driven, team-based care, (2) improving the capacity to provide point-of-care services, complex care management and population health management, (3) improving population and health outcomes, (4) high quality care that integrates physical and behavioral health services in the most appropriate setting and (5) moving towards value-based payments. The estimated revenues below, in thousands, were recorded as “other operating revenues” in FY 2018-2019:

	PRIME Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	$ 138,237	$ 86,029
Olive View-UCLA Medical Center	33,994	33,995
LAC+USC Medical Center	106,266	39,686
Rancho Los Amigos National Rehab Center	30,195	30,195
Total	$ 308,692	$ 189,905

The General Fund received $109.71 million for PRIME and paid $19.29 million of related IGTs, which were recorded as “Intergovernmental Revenue Federal” and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Whole Person Care

Whole Person Care (WPC) pilot program focuses on coordination of health, behavioral health, and social services in a patient-centered manner with the goals of improved beneficiary health and well-being through more efficient and effective use of resources.

WPC program is on a calendar year basis, starting with 2016. The General Fund received $259.88 million for WPC revenues, which were recorded as "Intergovernmental Revenue Federal" on the governmental funds statement. In addition, the General Fund recorded $149.26 million of WPC IGT expenditures, which were recorded as "Health and Sanitation" expenditures on the governmental funds statement.

Medi-Cal Demonstration Project: Bridge to Reform

Bridge to Reform was approved in November 2010 by CMS, pursuant to Section 1115(a) of the Social Security Act. This waiver affected many aspects of Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State drew down federal matching funds. Bridge to Reform covered the period November 1, 2010 to October 31, 2015, with a temporary extension to December 31, 2015.

Although DSH and SNCP ended in FY 2014-2015, the Department of Health Care Services (DHCS) has yet to perform the final reconciliation for various program years. In FY 2018-2019, the financial impact of these programs is immaterial.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Managed Care for Seniors and Persons with Disabilities

Under the Medi-Cal Demonstration Project, in an effort to provide more coordinated care and contain costs, Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) are required to enroll in managed care plans, rather than using a fee for service system. In FY 2018-2019, an estimated $121.87 million of SPD revenues were recorded as part of net patient service revenue.

The Medi-Cal Demonstration Project required the County to make IGTs to the State to fund the non-federal share of Medi-Cal inpatient payments for the SPD managed care population. Expenses associated with such IGTs were $75.48 million in FY 2018-2019.

The General Fund received $26.11 million for SPD, which were recorded as "Charges for Services" revenue on the governmental funds statement.

Affordable Care Act

On January 1, 2014, when the federal health care reform of the Patient Protection went into effect, the Hospital Presumptive Eligibility program also provided individuals with temporary Medi-Cal benefits while a formal, permanent Medi-Cal application is being processed.

Medicaid Coverage Expansion

The Medicaid Coverage Expansion (MCE), also known as the Optional Medicaid Expansion program, provides Medi-Cal coverage for adult citizens or legal residents (ages 19-64) who are uninsured and have incomes at or below 138% of the Federal Property Level. The Federal Medical Assistance Percentage (FMAP) for the MCE Program is 100.00% from July 1, 2016 through December 31, 2016, 95.00% from January 1, 2017 through December 31, 2017, 94.00% from January 1, 2018 through December 31, 2018, and 93.00% effective January 1, 2019.

During FY 2018-2019, LA Care Health Plan (LA Care), one of the health plans which subcontracts with the County to provide services for their Medi-Cal managed care members, continued to pay the County managed care capitation payments based on the FY 2017-2018 contract rates. The two organizations are currently working together to determine the new rates, but the negotiated rates are not yet finalized. For the MCE capitated lives, the official MCE rates are estimated to have increased in FY 2018-2019.

In FY 2018-2019, the total estimated MCE revenues and related estimated IGTs, including prior year over/under-realization were as follows (in thousands):

	Program Revenues	Intergovernmental Transfers Expense
MCE	$ 131,333	$ 16,861
MCRS - MCE	148,787	9,770
Total	$ 280,120	$ 26,631

The General Fund received $78.52 million for MCE and paid $12.40 million of related IGTs, which were recorded as "Charges for Services" revenue and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs

Medi-Cal Fee-For-Service

The Medi-Cal Demonstration Project restructured the financing method by which the State draws down federal matching funds for the inpatient hospital fee for service (FFS) to cost based reimbursement. The non-federal share of the Medi-Cal FFS is provided by the hospitals primarily through certified public expenditures (CPE) whereby the hospital expends its local funding for services to draw down the federal financing participation, currently provided at a 50% match. For FY 2018-2019, an estimated $420.18 million of Medi-Cal FFS revenues were recorded as part of net patient service revenue.

Medi-Cal Physician State Plan Amendment

The Medi-Cal Demonstration Project payment for inpatient and other facility services excluded professional services. State Plan Amendment 05-23 allows professional services provided by public entities to be paid similarly to the inpatient hospital services under the Medi-Cal Demonstration Project. Hospitals are allowed to claim federal reimbursement for unreimbursed costs of Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services), which is matched at the applicable FMAP rate for the year.

Revenues of $49.38 million were recognized and recorded as part of net patient service revenue during FY 2018-2019 and included adjustments for the over/under-realization of revenues associated with FY 2008-2009 and FY 2016-2017 through FY 2017-2018.

Cost Based Reimbursement Clinics

Cost Based Reimbursement Clinics (CBRC) reimburse 100% of allowable costs for outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, outpatient centers and Ambulatory Care Network health centers (excluding clinics that provide predominately public health services). CBRC revenues in FY 2018-2019 were $147.06 million. As of June 30, 2019, the County estimated that approximately $65.61 million of CBRC accounts receivable would not be collectible within 12 months and this amount is classified as a non-current asset in the proprietary fund statements of net position for each hospital.

The General Fund received $42.31 million for CBRC, which was recorded as "Charges for Services" revenue on the governmental funds statement. As of June 30, 2019, the County estimated that approximately $11.38 million of CBRC accounts receivable would not be collectible within 12 months.

Medi-Cal Cost Report Settlements

In FY 2018-2019, the County recognized favorable audit settlements of $83.86 million related to FY 2015-2016, and FY 2016-2017. The County’s various level appeals to the Office of Administrative Appeals of certain audit adjustments have been favorably resolved resulting in $5.35 million of final settlement revenues.

The State is in the process of auditing the FY 2017-2018 cost reports and settlements are expected by the 4th quarter of FY 2019-2020.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplements

The State is obtaining CMS' approval to continue the Medi-Cal Managed Care Rate Supplements (MCRS) paid to LA Care and Health Net Health Plans for FY 2018-2019. The supplements are funded by IGTs made by the County. The County does not receive the supplemental payments directly from the State; rather, the State contracts with LA Care and Health Net, which then subcontract for services with various provider networks.

In addition, in order to receive the supplemental payments, the County is required by Welfare and Institutions Code Section 14301.4, to pay the State a 20% administrative fee that is assessed on the full amount of the IGTs. This amount is also recorded as part of the IGT.

The total estimated managed care rate supplement revenues and related estimated IGTs recorded in FY 2018-2019, including prior year over/under realization, were as follows (in thousands):

	MCRS Revenues	Intergovernmental Transfers Expense
LA Care	$ 70,810	$ 40,468
Health Net	25,321	15,064
Total	$ 96,131	$ 55,532

The General Fund received $127.71 million for MCRS and paid $71.39 million of related IGTs, which were recorded as "Charges for Services" revenue and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Managed Care Rule

On April 25 2016, CMS published the Medicaid and Children's Health Insurance Program (CHIP) Managed Care Final Rule. The rule, many provisions of which went into effect July 1, 2017, is an update to the regulatory framework for Medicaid, aligning it as much as possible with Medicare and other commercial insurance requirements for issues like rate setting, access standards, grievances and appeals, and quality.

The managed care rule limits the ability of states to direct payments to health care providers, unless certain conditions are met. Among the allowable exceptions are payments tied to performance, and payments that provide a uniform payment increase which includes a pre-determined increase over contracted rates. The previous SPD-SB208 and AB85 MCE-to-Cost programs did not meet these conditions. In order to retain this critical funding, the following two programs were introduced:

1. Enhanced Payment Program
2. Quality Incentive Program

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Managed Care Rule-Continued

Enhanced Payment Program

The Enhanced Payment Program (EPP) creates a funding to be used to supplement the base rates public health care systems receive through Medi-Cal managed care contracts, meant to meet the managed care rule's exception that allows payments that provide a uniform increase within a class of providers such as a predetermined increase over contracted rates.

Enhanced payments public health care systems would be eligible to receive depend largely on systems' existing payment arrangements with their managed care plans. Under the proposed structure, health plans would receive an add-on to their managed care rates and would provide interim payments to providers throughout the year. Payments would be reconciled at the end of the year, protecting health plans from any risk associated with payment.

At FY 2018-2019 year-end, the estimated EPP revenues and related IGTs are as follows (in thousands):

	EPP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	$ 180,518	$ 28,651
Olive View-UCLA Medical Center	66,019	11,377
LAC+USC Medical Center	207,138	33,062
Rancho Los Amigos National Rehab Center	10,180	2,611
Total	$ 463,855	$ 75,701

As of June 30, 2019, the County estimated that approximately $299.10 million of EPP accounts receivable would not be collectible within 12 months and this amount is classified as a non-current asset in the proprietary fund statements of net position for each hospital.

The General Fund received $184.55 million for EPP and paid $21.82 million of related IGTs, which were recorded as "Charges for Services" revenue and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Quality Incentive Program

The Quality Incentive Program (QIP) is meant to meet the Managed Care Rule's exception that allows payments tied to performance.

The QIP represents a new pay for performance program for California's public health care systems that would convert funding from previously-existing supplemental payments into a value-based structure. QIP payments are tied to the achievement of performance on a set of clinically-established quality measures for Medi-Cal managed care enrollees.

The QIP is structured similar to the PRIME program. The QIP's measures do not directly overlap with any of the quality measures being used in PRIME, but are designed to be complementary.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Managed Care Rule-Continued

Quality Incentive Program-Continued

At FY 2018-2019 year end, the estimated QIP revenues, recorded as "other operating revenues", and related IGTs, including prior year over/under realization, are as follows (in thousands):

	QIP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	$ 35,138	$ (10,428)
Olive View-UCLA Medical Center	18,770	(7,402)
LAC+USC Medical Center	38,252	(11,820)
Rancho Los Amigos National Rehab Center	77	(1,480)
Total	$ 92,237	$ (31,130)

As of June 30, 2019, the County estimated that approximately $88.16 million of QIP accounts receivable would not be collectible within 12 months and this amount is classified as a non-current asset in the proprietary fund statements of net position for each hospital.

The General Fund received $14.81 million for QIP and paid $3.49 million of related IGTs, which were recorded as "Intergovernmental Revenue Federal" and "Health and Sanitation" expenditures, respectively, on the governmental funds statement.

Third Party Payor Liability

The County's Hospitals reported third party payor liabilities of $548.95 million (see Note 11) as of June 30, 2019, as reported on the statement of net position for proprietary funds. The current liabilities for amounts due within one year are $2.96 million.

The noncurrent liabilities for third party payors are $545.99 million. The primary programs associated with third party payors liabilities include DSH ($239.15 million), Medi-Cal ($103.98 million), SNCP ($54.95 million), Medicare ($49.97 million), SPD ($40.48 million), and other miscellaneous programs ($57.46 million).

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2019 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total
Accounts receivable	$ 2,661,136	$ 1,454,024	$ 3,973,642	$ 637,270	$ 8,726,072
Less: Allowance for uncollectible amounts	1,817,767	1,042,391	2,963,759	473,218	6,297,135
Accounts receivable - net	$ 843,369	$ 411,633	$ 1,009,883	$ 164,052	$ 2,428,937

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Charity Care

Charity care includes those uncollectible amounts for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through the Department's Ability-to-Pay program, through other collection efforts by the Department, by the Treasurer and Tax Collector, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter. The estimated cost of charity care for the year ended June 30, 2019 was $558.43 million. A portion of the charity care is funded by GPP at a rate of 20.00%. The total amount of such charity care provided by the hospitals for the year ended June 30, 2019 is as follows (in thousands):

Charity care at established rates	$ 1,279,384
GPP reimbursement	175,119
Charges forgone	$ 1,104,265

Realignment

As a result of the ACA, the State of California (State) adopted and passed Assembly Bill 85 (AB85), as amended by Senate Bill 98, which lays out the process by which a portion of the 1991 County Health Realignment funds will be redirected to support Social Services programs based on a formula. The redirection is based on the assumption that the counties will decrease their cost for healthcare for the indigent population. These savings will be shared between the counties' health departments and the State. The sharing ratio is 80% to the State and 20% to the County. This ratio has been in place since FY 2014-2015. AB85, as amended, provides a unique formula for the County to determine the amount to be redirected.

In FY 2018-2019, the State did not withhold any of the County's Health Realignment funds. This amount is expected to be reconciled against actual revenues and expenses for FY 2018-2019 within two years. The redirection amount will be subject to the State's review and approval. The financial impact of the potential redirection of realignment funding in future years is not yet known.

In FY 2017-2018, the State did not withhold any of the County's Health Realignment funds. However, based on updated revenues realized for FY 2017-2018 services in FY 2018-2019, the projected redirection amount is $82.34 million. As a result, the "Intergovernmental Revenue - State" revenue has been reduced by $82.34 million in the County's General Fund in FY 2018-2019.

In FY 2016-2017, the State withheld $5.61 million from the County's Health Realignment funds. However, based on updated revenues realized for FY 2016-2017 services in FY 2018-2019, the projected redirection amount is $229.89 million. As a result, the "Intergovernmental Revenue - State" revenue has been reduced by $224.28 million in the County's General Fund in FY 2018-2019.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Martin Luther King, Jr. Community Hospital

The County and the University of California (UC), with the State, have created a wholly independent, non-profit 501(c)(3) entity, the Martin Luther King, Jr. - Los Angeles Healthcare Corporation (MLK-LA), to operate a new hospital at the MLK-MACC site. The hospital will: i) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients and ii) be integrated with the County's existing network of specialty and primary care ambulatory clinics. The seven-member MLK Hospital Board of Directors was appointed by the County and UC in August 2010. The new MLK Community Hospital opened on May 14, 2015.

To assist with the opening of the MLK Hospital, the County provided MLK-LA with $50.00 million of coordination start-up funds, $39.10 million of grant funding, and $82.00 million of long-term loan funding, which includes a 30-year loan in the amount of $50.00 million, a 10-year revolving line of credit in the amount of $20.00 million, and a 2-year loan in the amount of $12.00 million. On January 5, 2016, the Board approved an additional short-term revolving loan in the amount of $40.00 million to assist MLK-LA with post-hospital opening expenses. All the loans have been repaid in full, with the exception of the 30-year loan, which has a current outstanding balance of $44.64 million. In addition, the DHS has committed to make ongoing annual payments of $18.00 million for indigent care support, and $50.00 million of intergovernmental transfers for the benefit of the MLK Hospital.

15. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for “internal balances” that are reflected between the governmental and business-type activities. The majority of the interfund balances resulted from the time lag between the time that (1) goods and services were provided; (2) the recording of those transactions in the accounting system; and (3) payments between the funds were made. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2019.

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2019 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 16,513
	Flood Control District	12,919
	LA County Library	3,674
	Regional Park and Open Space District	5,321
	Mental Health Services Act	279,696
	Nonmajor Governmental Funds	156,357
	Harbor-UCLA Medical Center	84,093
	Olive View-UCLA Medical Center	50,609
	LAC+USC Medical Center	110,613
	Rancho Los Amigos Nat'l Rehab Center	27,960
	Waterworks Enterprise Funds	548
	Nonmajor Aviation Funds	599
	Internal Service Funds	8,623
		757,525
Fire Protection District	General Fund	1,241
	Nonmajor Governmental Funds	4,312
		5,553
Flood Control District	General Fund	799
	Nonmajor Governmental Funds	1,904
	Waterworks Enterprise Funds	299
	Nonmajor Aviation Funds	50
	Internal Service Funds	14,201
		17,253
LA County Library	General Fund	7,486
	Fire Protection District	8
	Nonmajor Governmental Funds	415
		7,909

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Regional Park and Open Space District	General Fund	$ 128
Mental Health Services Act	General Fund	17,281
Nonmajor Governmental Funds	General Fund	4,183
	Fire Protection District	1,998
	Flood Control District	3
	LA County Library	411
	Nonmajor Governmental Funds	18,052
	Internal Service Funds	18,791
		43,438
Harbor-UCLA Medical Center	General Fund	49,524
	Fire Protection District	28
	Nonmajor Governmental Funds	22,900
	Olive View-UCLA Medical Center	414
	LAC+USC Medical Center	1,950
	Rancho Los Amigos Nat'l Rehab Center	160
	Internal Service Funds	4
		74,980
Olive View-UCLA Medical Center	General Fund	41,245
	Fire Protection District	113
	Nonmajor Governmental Funds	14,578
	Harbor-UCLA Medical Center	116
	LAC+USC Medical Center	66
	Rancho Los Amigos Nat'l Rehab Center	20,964
		77,082
LAC+USC Medical Center	General Fund	52,663
	Fire Protection District	35
	Nonmajor Governmental Funds	66,784
	Harbor-UCLA Medical Center	132,697
	Olive View-UCLA Medical Center	43,584
	Rancho Los Amigos Nat'l Rehab Center	18,361
		314,124

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Rancho Los Amigos Nat'l Rehab Center	General Fund	$ 4,686
	Fire Protection District	13
	Harbor-UCLA Medical Center	42
	Olive View-UCLA Medical Center	3
	LAC+USC Medical Center	45
		4,789
Waterworks Enterprise Funds	General Fund	51
	Internal Service Funds	2,191
		2,242
Nonmajor Aviation Funds	Fire Protection District	15
	Internal Service Funds	24
		39
Internal Service Funds	General Fund	33,013
	Fire Protection District	109
	Flood Control District	34,266
	LA County Library	5
	Nonmajor Governmental Funds	42,758
	Harbor-UCLA Medical Center	1,974
	Olive View-UCLA Medical Center	2
	LAC+USC Medical Center	20
	Rancho Los Amigos Nat'l Rehab Center	1,608
	Waterworks Enterprise Funds	6,685
	Nonmajor Aviation Funds	398
		120,838
Total Interfund Receivables/Payables		$ 1,443,181

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the LA County Library and the four hospitals. Other transfers primarily consisted of payments from the various operating funds (principally the General Fund) to debt service funds in accordance with long-term debt covenants. In addition, special revenue funds that are statutorily restricted made transfers to other funds to augment funding for programs operated in the General Fund and hospitals.

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Interfund transfers to/from other funds for the year ended June 30, 2019 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	$ 37,324
	LA County Library	47,173
	Nonmajor Governmental Funds	105,885
	Harbor-UCLA Medical Center	76,652
	Olive View-UCLA Medical Center	7,706
	LAC+USC Medical Center	461,633
	Rancho Los Amigos Nat'l Rehab Center	86,045
	Internal Service Funds	138
		822,556
Fire Protection District	Nonmajor Governmental Funds	7,874
Flood Control District	Nonmajor Governmental Funds	3
	Internal Service Funds	7,915
		7,918
LA County Library	General Fund	3,199
	Nonmajor Governmental Funds	737
		3,936
Mental Health Services Act	General Fund	643,721
Nonmajor Governmental Funds	General Fund	322,874
	Fire Protection District	1,948
	LA County Library	578
	Nonmajor Governmental Funds	377,469
	Harbor-UCLA Medical Center	50,166
	Olive View-UCLA Medical Center	44,996
	LAC+USC Medical Center	122,241
	Rancho Los Amigos Nat'l Rehab Center	2,279
	Internal Service Funds	9,636
		932,187
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	339
	Rancho Los Amigos Nat'l Rehab Center	491
		830

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Olive View-UCLA Medical Center	LAC+USC Medical Center	$ 9,654
	Rancho Los Amigos Nat'l Rehab Center	822
		10,476
LAC+USC Medical Center	General Fund	5,047
Rancho Los Amigos Nat'l Rehab Center	Harbor-UCLA Medical Center	4,174
	Olive View-UCLA Medical Center	915
	LAC+USC Medical Center	5
		5,094
Waterworks Enterprise Funds	Nonmajor Governmental Funds	224
	Internal Service Funds	1,472
		1,696
Nonmajor Aviation Funds	Internal Service Funds	143
Internal Service Funds	General Fund	2,948
	Nonmajor Governmental Funds	1,033
		3,981
Total Interfund Transfers		$ 2,445,459

Interfund Advances

The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations. In addition, the General Fund makes short-term advances to assist the Hospital Funds in meeting their cash flow requirements.

15. INTERFUND TRANSACTIONS-Continued

Interfund Advances-Continued

Advances from/to other funds at June 30, 2019 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Harbor-UCLA Medical Center	$ 235,317
	Olive View-UCLA Medical Center	58,732
	LAC+USC Medical Center	336,473
	Rancho Los Amigos Nat'l Rehab Center	1,265
	Internal Service Funds	3,061
		634,848
Flood Control District	Internal Service Funds	6,339
Nonmajor Governmental Funds	Internal Service Funds	11,232
Waterworks Enterprise Funds	Internal Service Funds	1,368
Total Interfund Advances		$ 653,787

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP

The County's statement of revenues, expenditures and changes in fund balances-budget and actual on budgetary basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The amounts presented for the governmental funds statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

– For budgetary purposes, nonspendable, restricted, committed and assigned fund balances and the portion of unassigned fund balance reserved for the "Rainy Day" fund are recorded as other financing uses at the time they are established. The County recognizes them as uses of budgetary fund balance. The nonspendable, restricted, committed and assigned fund balances that are subsequently canceled or otherwise made available are recorded as changes in fund balance in other financing sources.

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered, but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred and amounts are collected within the County's availability period.

- For the General Fund, obligations for accrued compensated absences and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation 6.

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in FY 2005-2006, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as deferred inflows of resources and are being recognized over the duration of the sale agreement, in accordance with GASB 48 and 65. This matter is also discussed in Note 11, under the caption, "Tobacco Settlement Asset-Backed Bonds."

- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the modified accrual basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.

- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis, the effects of such fair value changes have been recognized.

- The County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2019.

The following schedule is a reconciliation of the budgetary and GAAP fund balances for the major governmental funds (in thousands):

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

	General Fund	Fire Protection District	Flood Control District	LA County Library	Regional Park and Open Space District	Mental Health Services Act
Fund balance - budgetary basis	$ 2,089,840	$ 20,163	$ 60,099	$ 41,347	$ 181,758	$ 213,628
Budgetary fund balances	2,153,044	134,977	432,997	46,917	222,536	726,037
Subtotal	4,242,884	155,140	493,096	88,264	404,294	939,665
Adjustments:						
Accrual of estimated liability for litigation and self-insurance claims	197,462	824		356		
Accrual of compensated absences	92,574					
Unamortized balance of sale of tobacco settlement revenue	(217,518)					
Change in revenue accruals	(51,427)	(18,569)	(5,487)	(2,699)	(231)	(1,170)
Change in OPEB Agency Fund	170,034	9,733		1,628		
Subtotal	191,125	(8,012)	(5,487)	(715)	(231)	(1,170)
Fund balance - GAAP basis	$ 4,434,009	$ 147,128	$487,609	$ 87,549	$ 404,063	$ 938,495

17. OTHER COMMITMENTS

Construction and Other Significant Commitments

At June 30, 2019, there were contractual commitments of approximately $2.00 million for a general government construction project and approximately $74.22 million for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2019, LACERA had outstanding capital commitments to various investment managers, approximating $5.300 billion.

17. OTHER COMMITMENTS-Continued

Encumbrances

The County uses “encumbrances” to control expenditure commitments for the year. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of June 30, 2019, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$	$	$ 583,488	$ 583,488
Fire Protection District	38,468			38,468
Flood Control District	147,259			147,259
LA County Library			24,742	24,742
Regional Park and Open Space District	53,827			53,827
Mental Health Services Act	925			925
Nonmajor Governmental Funds	113,521	5,243	702	119,466
Total Encumbrances	$ 354,000	$ 5,243	$ 608,932	$ 968,175

18. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as property, aviation, employee fidelity, boiler and machinery, cyber, catastrophic workers’ compensation, art objects, volunteers, special events, public official bonds, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been settlements related to these programs that exceeded self-insured retention in the last three years. Losses did not exceed coverage in FY 2016-2017, FY 2017-2018 or FY 2018-2019.

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation, medical malpractice, law enforcement, natural disasters, inverse condemnation, non-tort and tort liability. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and recovery/ subrogation of approximately 10% of the total liability expenditures. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

As indicated in the following table, the County’s workers’ compensation balance as of June 30, 2019 was approximately $2.990 billion. This amount is undiscounted and is based on an actuarial study of the County’s self-insured program as of June 30, 2019. Approximately $111.87 million of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

18. RISK MANAGEMENT-Continued

As of June 30, 2019, the County's estimate of these liabilities is $3.337 billion. Changes in the reported liability since July 1, 2017 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
2017-2018				
Workers' Compensation	$ 2,639,553	$ 679,229	$ (460,354)	$ 2,858,428
Other	301,519	86,925	(89,171)	299,273
Total	$ 2,941,072	$ 766,154	$ (549,525)	$ 3,157,701
2018-2019				
Workers' Compensation	$ 2,858,428	$ 633,766	$ (502,377)	$ 2,989,817
Other	299,273	146,178	(97,821)	347,630
Total	$ 3,157,701	$ 779,944	$ (600,198)	$ 3,337,447

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $174.26 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

The County receives substantial federal revenues and operates many programs which are subject to federal rules and regulations. Federal assistance is especially critical to the County's ability to operate its four County hospitals and health care network. The County is carefully monitoring State and federal policy developments to determine the future impacts, if any, on its ability to administer federal programs and deliver County services that rely upon federal funding.

19. POLLUTION REMEDIATION

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or cleanup activities, and recognizes a pollution remediation obligation when estimates can reasonably be determined. The pollution remediation obligation is an estimate and is subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water cleanup, and removal of storage tanks, asbestos tiles and other hazardous materials.

19. POLLUTION REMEDIATION-Continued

As of June 30, 2019, the County's estimated pollution remediation obligation totaled $44.11 million. This obligation was associated with the County's governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liability was determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust the estimated obligation when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligation.

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources balances in the government-wide and the proprietary funds statement of net position as of June 30, 2019 are described as follows:

– The deferred outflows of resources, included on the government-wide statement of net position, relate to the unamortized losses on refunding of debt, changes in the net pension liability as discussed in Note 8, and changes in the net OPEB liability as discussed in Note 9. The unamortized losses on refunding of debt are a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

– The deferred inflows of resources, included on the government-wide statement of net position, relate to the future installment payments of service concession arrangements as discussed in Note 7, from changes in the net pension liability as discussed in Note 8, and from changes in the net OPEB liability as discussed in Note 9.

Government-wide
Statement of Net Position (in thousands)

	Governmental Activities	Business-type Activities	Total
Deferred outflows of resources:			
Unamortized losses on refunding of debt	$ 14,452		$ 14,452
Pensions	3,741,547	660,040	4,401,587
OPEB	1,235,058	173,808	1,408,866
Total government-wide deferred outflows of resources	$ 4,991,057	833,848	$ 5,824,905
Deferred inflows of resources:			
Service concession arrangements	$ 82,853		$ 82,853
Pensions	1,175,234	166,766	1,342,000
OPEB	4,099,744	793,728	4,893,472
Total government-wide deferred inflows of resources	$ 5,357,831	960,494	$ 6,318,325

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES-Continued

Proprietary Funds
Statement of Net Position (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total	ISF Funds
Deferred outflows of resources:						
Pensions	$ 203,635	131,936	269,909	54,560	$ 660,040	$ 140,146
OPEB	54,790	41,078	66,173	11,767	173,808	33,134
Total proprietary funds deferred outflows of resources	$ 258,425	173,014	336,082	66,327	$ 833,848	$ 173,280
Deferred inflows of resources:						
Pensions	$ 49,449	32,569	67,811	16,937	$ 166,766	$ 39,827
OPEB	221,880	149,072	336,141	86,635	793,728	164,202
Total proprietary funds deferred inflows of resources	$ 271,329	181,641	403,952	103,572	$ 960,494	$ 204,029

Deferred outflows and inflows of resources balances in the governmental funds balance sheet as of June 30, 2019 are described as follows:

– The intra-entity sales of future tobacco settlement revenues are reported as deferred inflows of resources in the General Fund and deferred outflows of resources in the nonmajor governmental funds.

– Under the modified accrual basis of accounting, earning revenues during the current period is not sufficient for revenue recognition in the current period. Revenue must also be susceptible to accrual (i.e., measurable and available to finance expenditures of the current period). Governmental funds report revenues not susceptible to accrual as deferred inflows of resources. The County has included two such items, which are property tax revenues to be collected beyond the 60 day accrual period, plus other long-term receivables, related mostly to SB90 claims, expected to be collected beyond the 12 month accrual period.

Governmental Funds
Balance Sheet (in thousands):

	General Fund	Fire Protection District	Flood Control District	LA County Library	Regional Park and Open Space District	Nonmajor Funds	Total
Deferred outflows of resources -							
Tobacco settlement revenues	$					217,518	$ 217,518
Deferred inflows of resources:							
Tobacco settlement revenues	$ 217,518						$ 217,518
Property tax revenues	130,973	28,624	8,539	4,558	3,098	7,725	183,517
Other long-term receivables	235,272	9,446				4,033	248,751
Total governmental funds deferred inflows of resources	$ 583,763	38,070	8,539	4,558	3,098	11,758	$ 649,786

21. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. A detailed schedule of fund balances for all the major and nonmajor governmental funds at June 30, 2019 (in thousands) is as follows:

	General Fund	Fire Protection District	Flood Control District	LA County Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Governmental Funds
Fund Balances:							
Nonspendable:							
Inventories	$ 58,050	13,229	1	664			1
Long-term receivables	253,908						
Permanent fund principal							2,145
Total Nonspendable	311,958	13,229	1	664			2,146
Restricted for:							
Purpose of fund		133,899	487,509	21,495	404,063	938,495	1,328,092
Purpose of utility user tax	69,634						
Grand Avenue project	4,600						
Sheriff Pitchess landfill	2,976						
La Alameda project	2,000						
Capital projects							337,259
Debt service							337,173
Endowments and annuities							132
Total Restricted	79,210	133,899	487,509	21,495	404,063	938,495	2,002,656
Committed to:							
Purpose of fund							48,227
Capital projects and extraordinary maintenance	142,946						79,602
Affordable housing	11,877						
Assessor tax system	1,494						
Board budget policies and priorities	16,228						
Budget uncertainties	91,959						
Consolidated correctional treatment facility debt service	149,676						
Department of children and family services	8,840						
Financial system	11,714						
Health services future financial requirements	5,328						
Health services-tobacco settlement	120,104						
Interoperable and countywide communication	1,740						
Information technology enhancements	78,184						

21. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	LA County Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Governmental Funds
Library services	$ 5,370						
Live scan	2,000						
Office of Diversion and Re-Entry Permanent Supportive Housing	80,084						
Public works-permit tracking system	3,549						
Services to unincorporated areas	4,015						
Sheriff unincorporated patrol	90						
TTC remittance processing and mailroom equipment	3,877						
TTC unsecured property tax system	463						
Voting solutions for all people	40,979						
Total Committed	780,517						127,829
Assigned to:							
Purpose of fund			99	65,390			120,649
Future purchases	620,773						
Capital projects							40,330
Total Assigned	620,773		99	65,390			160,979
Unassigned	2,641,551						
Total Fund Balances	$4,434,009	147,128	487,609	87,549	404,063	938,495	2,293,610

Reserve for “Rainy Day” Fund

On June 22, 2009, the Board established a Reserve for “Rainy Day” fund. The Reserve for “Rainy Day” fund was established and maintained to protect essential County programs against unforeseen emergencies and economic downturns. The Reserve cap should be 10.00% of on-going locally generated revenue. Transfers, at a minimum of ten percent (10.00%) of excess fund balance, less Board approved carryovers, will be set aside in the Rainy Day Fund and/or OPEB trust fund each year until the 10.00% cap is met. Excess fund balance is defined as the difference between the actual year-end fund balance amount as determined by the Auditor-Controller, less the estimated fund balance amount included in the Adopted Budget. Board approved carryover is defined as unspent funding that was previously approved by the Board for critical programs and/or uncompleted projects.

When the Reserve cap of 10.00% is reached, the annual 10.00% of excess fund balance amount should be deposited into the OPEB trust fund to be made available for unfunded retiree health obligations. The objective is to avoid on-going commitments with funding that may not be sustainable in an economic downturn.

The County’s “Rainy-Day” fund does not meet the criteria for a stabilization arrangement for reporting the funds as either restricted or committed. As such, the Reserve for “Rainy Day” funds in the amount of $562.94 million is reported as unassigned fund balance in the General Fund.

22. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

On July 1, 2019, the County issued $700.00 million in 2019-2020 TRANS, which will mature on June 30, 2020. The TRANS are collateralized by taxes and other revenues attributable to FY 2019-2020 and were issued in the form of Fixed Rate Notes at an effective interest rate of 1.24%.

Mental Health Treatment Center (MHTC) - Termination of Design-Build Agreement

On August 13, 2019, the Board authorized the termination of the entire Design-Build Agreement with McCarthy Building Companies, Inc. (McCarthy) for the design and construction of the MHTC which was to replace the Men's Central Jail. The design for the original scope of the MHTC will need to substantially change once ongoing analysis regarding a care-first treatment model is complete and all facts are known for the Board to make the best decision on the right-sizing and configuration of the MHTC. The total contractual commitment was for $12.94 million. As of June 30, 2019, the total capitalized costs for the MHTC construction in progress was $41.84 million, of which $3.37 million was for the McCarthy agreement. On September 15, 2019, the County made a payment of $5.99 million. There are additional close out items and the final financial impact has yet to be quantified.

Public Works Financing Authority - Lease Revenue Bonds 2019 Series E-1 and E-2

On August 29, 2019, the Authority issued $251.89 million of lease revenue bonds, which includes $219.34 million (Series E-1) and $32.55 million (Series E-2), maturing from 2020 to 2049, with yields from 0.82% to 2.11%. Proceeds from the sale of the Series E-1 and Series E-2 bonds were used to redeem LRON for various capital improvement projects.

Lease Revenue Obligation Notes (LRON)

On October 23, 2019, the County redeemed $24.78 million of LRON, which included $24.38 million for the 1060 North Vignes Lot Acquisition and $400,000 for the Music Center Plaza Refinements.

On November 5, 2019, LACCAL issued an additional $30.00 million in LRON with an interest rate of 1.06%. The proceeds are being used to fund capital requirements of various capital projects. LRON issuances are supported and secured by four separate series of letters of credit and pledged County properties.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of the County's Proportionate Share of the Net Pension Liability and Related Ratios
Last 10 Fiscal Years[1,2]
(Dollar amounts in thousands)

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Pension Plan's fiduciary net position as percentage of total pension liability	83.960%	82.370%	81.749%	86.296%	86.804%
County's proportionate share of the collective net pension liability	$10,345,209	$10,849,931	$10,272,671	$ 7,448,374	$ 6,957,082
County's proportion as percentage of the collective net pension liability	96.169%	96.119%	96.170%	96.081%	95.897%
Covered payroll	$ 7,631,381	$ 7,320,575	$ 6,986,004	$ 6,948,738	$ 6,672,228
County's proportionate share of the collective net pension liability as a percentage of its covered payroll	135.561%	148.211%	147.046%	107.190%	104.269%

Schedule of County's Pension Contributions
Last 10 Fiscal Years[1,3]
(Dollar amounts in thousands)

	2019	2018	2017	2016	2015
Actuarially Determined Contribution (ADC)	$ 1,605,150	$ 1,466,411	$ 1,300,711	$ 1,389,628	$ 1,437,555
Less: Contributions in relation to the ADC	1,605,150	1,466,411	1,300,711	1,389,628	1,437,555
Contribution Deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered payroll	$ 8,031,454	$ 7,631,381	$ 7,320,575	$ 6,986,004	$ 6,948,738
Contributions as a percentage of total covered payroll	19.986%	19.216%	17.768%	19.892%	20.688%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable. Eventually, 10 years of data will be shown.
(2) Reflects data as of the measurement date.
(3) Reflects data as of the reporting date.

Los Angeles County Employees Retirement Association
Notes to Required Supplementary Information

Changes of benefit terms

There were no plan changes after June 30, 2013.

Changes of assumptions

There were no changes of assumptions used to determine the Total Pension Liability.

There were no changes of assumptions in determining the ADC since FY 2014-2015.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of the County's Proportionate Share of the Net RHC OPEB Liability
Last 10 Fiscal Years[1,2]
(Dollar amounts in thousands)

	6/30/2018	6/30/2017
County's proportion as a percentage of the collective net OPEB liability	95.392%	95.391%
County's proportionate share of the collective net OPEB liability	$ 23,590,686	$ 25,249,103
Covered-employee payroll	$ 8,571,345	$ 8,176,831
County's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	275.227%	308.788%
Plan fiduciary net position as a percentage of the total OPEB liability	3.670%	2.730%

Schedule of County's RHC OPEB Contributions
Last 10 Fiscal Years[1,3]
(Dollar amounts in thousands)

	2019	2018
Actuarially Determined Contribution (ADC)	$ 1,549,500	$ 1,901,000
Less: Contributions in relation to the ADC	787,366	679,872
Contribution Deficiency (excess)	$ 762,134	$ 1,221,128
Covered-employee payroll	$ 9,071,329	$ 8,571,345
Contributions as a percentage of total covered-employee payroll	8.680%	6.523%

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.
(2) Reflects data as of the measurement date.
(3) Reflects data as of the reporting date.

Los Angeles County Employees Retirement Association
Notes to Required Supplementary Information

Changes of benefit terms

None

Changes of assumptions

The Discount rate increased from 4.69% as of June 30, 2017 to 5.11% as of June 30, 2018.

The Investment rate of return decreased from 6.66% as of June 30, 2017 to 6.30% as of June 30, 2018.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Schedule of Changes in the Total LTD OPEB Liability and Related Ratios
Last 10 Fiscal Years[1]
(Dollar amounts in thousands)

	6/30/2018	6/30/2017
Total OPEB Liability		
Service cost	$ 43,162	$ 49,068
Interest	38,818	33,546
Changes of benefit terms		
Differences between expected and actual experience	1,111	589
Changes of assumptions or other inputs	(43,574)	(106,200)
Benefit payments	(64,313)	(63,430)
Net Change in Total OPEB Liability	(24,796)	(86,427)
Total LTD OPEB Liability - beginning	1,073,040	1,159,467
Total LTD OPEB Liability - ending	$ 1,048,244	$ 1,073,040
Covered-employee payroll	$ 9,071,329	$ 8,571,345
Total LTD OPEB Liability as a percentage of covered-employee payroll	11.556%	12.519%

Notes to schedule:

Changes of benefit terms: No changes to benefit terms

Changes of assumptions:

Changes of Assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

As of June 30, 2017	3.58%
As of June 30, 2018	3.87%

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.

Total LTD OPEB Liability
Notes to Required Supplementary Information

Changes of benefit terms

None

Changes of assumptions

The Discount rate increased from 3.58% as of June 30, 2018 to 3.87% as of June 30, 2019.

No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4 to pay related benefits.

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions in the Indenture and the Lease. This summary does not purport to be comprehensive and reference should be made to the Indenture and the Lease for a full and complete statement of their respective provisions. All capitalized terms not defined in this Official Statement have the meaning set forth in the Indenture and the Lease.

Definitions

"Acquisition Cost" means all the necessary and reasonable costs in connection with the acquisition of any Equipment Component, including, but not limited to, legal fees and expenses of counsel with respect to the financing of the Equipment and the leasing of the Equipment; to the extent such fees and expenses are approved by a Lessee Representative.

"Acquisition Fund" means the fund of that name established pursuant to the Indenture.

"Additional Rental" means the amounts specified as such the Lease.

"Base Rental" means the amount referred to as such in the Lease, as such amounts may be adjusted from time to time in accordance with the terms thereof, but does not include Additional Rental.

"Base Rental Account" means the Base Rental Account within the Bond Fund established pursuant to the Indenture.

"Book Entry Bonds" means the Bonds registered in the name of the Nominee, as the Bondowner thereof, pursuant to the Indenture.

"Bond Fund" means the fund of that name established pursuant to the Indenture.

"Bonds" means the bonds executed by the Lessor and authenticated and delivered by the Trustee pursuant to the Indenture.

"Bond Register" means the books for the registration of the ownership of the Bonds referred to in the Indenture.

"Bondowner" means the registered Bondowner, as indicated in the Bond Register, of any Bond, including DTC or its Nominee, or any successor Depository or its Nominee for the Bonds, as the sole registered Bondowner of Book Entry Bonds.

"Business Day" means any day other than (i) a Saturday, Sunday or (ii) a day on which banks in both New York, New York and the city in which the principal corporate trust office of the Trustee is located are authorized or permitted to be closed.

"Cede & Co." means Cede & Co., the initial Nominee of DTC.

"Closing Date" means the date on which the Bonds are first executed by the Lessor and authenticated and delivered by the Trustee to the initial purchasers thereof.

"Code" means the Internal Revenue Code of 1986.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate to be executed and delivered by the Lessee relating to the Bonds.

"Cost of Issuance" means all the costs of preparation, sale and issuance of the Bonds and other costs related to such financing including, but not limited to, all document preparation expenses in connection with the Indenture, the Lease, the Bonds and the preliminary and final official statements; rating agency fees; CUSIP Service Bureau charges; legal fees and expenses of counsel with respect to the financing of and leasing of the Equipment; the initial fees and expenses of the Trustee and its counsel and of any paying agent and its counsel; and other fees and expenses incurred in connection with the issuance of the Bonds and the payment of the BANs or the implementation of the financing, to the extent such fees and expenses are approved by a Lessee Representative or a Lessor Representative.

"Costs of Issuance Account" means the Costs of Issuance Account established in the Acquisition Fund pursuant to the Indenture.

"Depository" means DTC and its successors and assigns or if (a) the then depository resigns from its functions as securities depository of the Bonds, or (b) the Lessee discontinues use of the Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Lessor.

"DTC" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Earnings Fund" means the fund of that name established pursuant to the Indenture.

"Equipment" means all Equipment Components identified in the Lease, as the same may be amended from time to time.

"Equipment Component" means each discrete component of the personal property described in the Lease, as the same may be amended from time to time.

"Event of Default" means any one or more of the events described in the Indenture.

"Excess Earnings Account" means the account of that name established in the Earnings Fund pursuant to the Indenture.

"Fitch" means Fitch Ratings, New York, New York, its successors and assigns.

"General Account" means the General Account established in the Acquisition Fund pursuant to the Indenture.

"Insurance Proceeds Fund" means the fund established pursuant to the Indenture.

"Interest Account" means the Interest Account established in the Bond Fund pursuant to the Indenture.

"Interest Payment Date" means June 1 and December 1 in each year, commencing on December 1, 2020, except that if such date is on a date which is not a Business Day then payment will be made on the next succeeding Business Day without incurring additional interest.

"Investment Earnings" means interest and income received in respect of the investment of money on deposit in any fund or account maintained under the Indenture.

"Investment Earnings Account" means the Investment Earnings Account established in the Earnings Fund pursuant to the Indenture.

"Lease Payment Date" means a date on or before each Interest Payment Date.

"Lease Year" means the period to be selected by the Lessee in accordance with regulations promulgated under the Code.

"Lessee" means the County of Los Angeles.

"Lessee Representative" means the Treasurer and Tax Collector of the Lessee or any other employee of the Lessee designated and authorized in writing by such officer to act on behalf of the Lessee with respect to the Indenture and all other related agreements, including but not limited to the Lease.

"Lessor" means the Los Angeles County Capital Asset Leasing Corporation, a California nonprofit public benefit corporation.

"Lessor Representative" means the Treasurer and Tax Collector of the Lessee as ex officio officer of the Lessor or any other employee of the Lessee designated and authorized in writing by such officer to act on behalf of the Lessor with respect to the Indenture and all other related agreements, including but not limited to the Lease.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Outstanding" when used as of any particular time with respect to any Bond, means any Bonds previously executed by the Lessor and authenticated and delivered by the Trustee under the Indenture, except: (1) any Bond previously canceled by the Trustee or surrendered to the Trustee for cancellation; (2) any Bond for the payment or redemption of which funds and/or investments of the type described in clause (A) of the definition of Qualified Investments in the necessary amount shall have been deposited with the Trustee (whether on or prior to the maturity or redemption date of such Bond (as provided in the Indenture)); (3) any Bond purchased by the Lessor and surrendered to the Trustee for cancellation; (4) any Bond in lieu of or in exchange for which another Bond or other Bonds shall have been executed by the Lessor and authenticated and delivered by the Trustee pursuant to the Indenture; (5) any Bond that is more particularly described in the Indenture that is not presented for payment, when the principal becomes due; and (6) any Bond for which a notice of redemption shall have been given and for which money for its redemption shall have been set aside as provided in the Indenture.

"Principal Account" means the Principal Account established in the Bond Fund pursuant to the Indenture.

"Principal Corporate Trust Office" means the office of the Trustee at the address set forth in the Indenture, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Principal Payment Date" means June 1 and December 1 in each year, commencing on December 1, 2020, except that if such date is on a date which is not a Business Day then payment will be made on the next succeeding Business Day without incurring additional interest.

"Qualified Investments" means, if and to the extent permitted by law and by any policy guidelines promulgated by the Lessee:

(a) For all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash deposits (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the of the United States of America, including: (i) United States of America treasury obligations; (ii) all direct or fully guaranteed obligations of the United States of America; (iii) Farmers Home Administration; (iv) General Services Administration; (v) Guaranteed Title XI financing; (vi) Government National Mortgage Association ("GNMA"); and (vii) State and Local Government Series;

Any security used for defeasance pursuant to the Indenture must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(b) For all purposes other than defeasance investments in refunding escrow accounts:

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Rural Economic Community Development Administration; (iii) U.S. Maritime Administration; (iv) Small Business Administration; (v) U.S. Department of Housing and Urban Development; (vi) Federal Housing Administration; and (vii) Federal Financing Bank;

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: (i) senior debt obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; (ii) obligations of the Resolution Funding Corporation; (iii) senior debt obligations of the Federal Home Loan Bank System; and (iv) senior debt obligations of other Government Sponsored Agencies;

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" by S&P and maturing not more than 270 calendar days after the date of purchase (ratings on holding companies are not considered as the ratings of the banks);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1" by S&P, and which mature not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund that is either (i) restricted to investing in securities described in clause (a) above or (ii) rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and, (i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in one of the two highest long-term rating categories of Moody's or S&P; or (ii)(A) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting of cash or securities as described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate;

(7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(8) Investment in repurchase agreements of any securities authorized in this definition of Qualified Investments, if the Trustee shall have received a perfected first security interest in such securities securing such repurchase agreement and the Trustee or its appointed agent shall hold such obligations free and clear of the claims of third parties and the securities securing such repurchase agreement are required to be of such nature, valued at such intervals and maintained at such levels so as to meet the collateralization levels then required by the Rating Agencies for a rating of "A" or better; the term "repurchase agreement" means a purchase of securities pursuant to an agreement by which the seller will repurchase such securities on or before a specified date and for a specified amount and will deliver the underlying securities by physical delivery or third-party custodial agreement; the term " counterparty" means the other party to the transaction; a counterparty bank's trust department or safekeeping department may be used for physical delivery of the underlying security; the term of repurchase agreements shall be for one year or less; such securities, for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date and maturity;

(9) The Local Agency Investment Fund of the State of California;

(10) The Los Angeles County Treasury Pool; and

(11) Any other investments which are rated "A" or better by the Rating Agencies which the Lessor deems to be prudent investments and in which the Lessor directs the Trustee to invest.

"Rating Agencies" means Fitch, Moody's and S&P; provided, however, that if either of Fitch or Moody's does not rate investments or obligations of a type described in any of clauses of the definition of "Qualified Investments," a rating by such entity shall not be required.

"Redemption Account" means the Redemption Account established in the Bond Fund pursuant to the Indenture.

"Rental Payments" means the Base Rental plus the Additional Rental payments.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns.

"State" means the State of California.

"Tax Certificate" shall have the meaning assigned to such term in the Indenture.

"Term" or "Term of the Lease" has the meaning set forth in the Lease.

"Trustee" means U.S. Bank National Association, and its successors and assigns.

"Useful Life" means, with respect to any Equipment Component, the period of time, expressed in years, and fraction of years, for which the Lessee reasonably expects that such Equipment Component may be economically utilized for the purpose or purposes for which such Equipment Component is intended.

THE INDENTURE

Acquisition Fund

There shall be established in trust a special fund designated as the "Acquisition Fund," which shall consist of a General Account and a Costs of Issuance Account. There shall be deposited into the General Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Indenture. The Trustee shall, on behalf of the Lessor, transfer from the General Account on the Closing Date to the Lessor the amount necessary to pay and redeem the BANs. If there shall remain any balance of money in the General Account following the retirement in full of the BANs, all money so remaining shall be transferred by the Trustee to the Base Rental Account of the Bond Fund. There shall be deposited in the Costs of Issuance Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Indenture. The Trustee shall disburse money from the Costs of Issuance Account to pay Costs of Issuance promptly after receipt of, and in accordance with, a written direction of a Lessee Representative pursuant to the Indenture. Any funds remaining in the Costs of Issuance Account on the date on which the Lessee Representative has notified the Trustee in writing that all Costs of Issuance have been paid shall be transferred to the Base Rental Account of the Bond Fund.

Bond Fund

There shall be established in trust a special fund designated the "Bond Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer the fund as provided in the Indenture. The Bond Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the provisions of the Lease, or until such date as there are no Bonds Outstanding. Within the Bond Fund, the Trustee shall establish the following accounts: (a) Base Rental Account; (b) Interest Account; (c) Principal Account; and (d) Redemption Account.

Base Rental Account. Except as otherwise provided in this paragraph, Base Rental and proceeds of liquidated damages and rental interruption insurance, if any, with respect to the Equipment received by the Trustee shall be deposited into the Base Rental Account. Any delinquent Base Rental payments and any proceeds of liquidated damages or rental interruption insurance deposited in the Base Rental Account shall be applied, first, to the Interest Account for the immediate payment of interest payments, the Bonds, past due and, then, to the Principal Account for immediate payment of principal payments past due according to the tenor of any Bond. Any remaining money representing delinquent Base Rental payments or proceeds of liquidated damages or rental interruption insurance shall remain on deposit in the Base Rental Account to be applied in the manner provided in the Indenture.

Any amounts remaining in the Base Rental Account on any Interest Payment Date or Principal Payment Date after the transfers referred to in the provisions relating to the Interest Account and the Principal Account in the following paragraph shall have been made, other than money held for Bonds not surrendered, shall be deposited into the Interest Account to the extent necessary to make the total amount on deposit in the Interest Account equal to the amount of interest due on the Bonds on the next succeeding Interest Payment Date or redemption date. Amounts not required to be so deposited shall be remitted to the Lessee except that, as provided above, any remaining money representing delinquent Base Rental and any proceeds of liquidated damages or rental interruption insurance shall remain on deposit in the Base Rental Account.

Interest Account and Principal Account. The Trustee shall, on or before each Interest Payment Date or Principal Payment Date, transfer money from the Base Rental Account and deposit in the Interest Account and the Principal Account, respectively, an amount which, together with money then on deposit in the Interest Account and available to pay interest due on such date and the Principal Account and available to pay principal due on such date, respectively, equals the interest then due on the Bonds on the Interest Payment Date and the principal due on the Principal Payment Date, as the case may be. Amounts in the Interest Account shall be used to pay interest on the Bonds and amounts in the Principal Account shall be used to pay principal on the Bonds.

Redemption Account. Any proceeds of insurance (other than rental interruption proceeds) or awards in respect of a taking under the power of eminent domain not required to be used for repair, reconstruction or replacement of the Equipment and, under the terms of the Indenture, required to be deposited into the Redemption Account, and any other amounts provided for the redemption of Bonds in accordance with the terms of the Indenture, shall be deposited by the Trustee in the Redemption Account. The Trustee shall, upon surrender of the Bonds called for redemption, on or after the scheduled redemption date withdraw from the Redemption Account and pay to the Bondowners entitled thereto an amount equal to the redemption price of the Bonds to be redeemed in accordance with the Indenture. Amounts in the Redemption Account shall be used to pay the redemption price with respect to the Bonds.

Earnings Fund

The Trustee shall establish, maintain and hold in trust a special fund separate from any other fund or account established and maintained under the Indenture designated as the "Earnings Fund." The Trustee shall administer the Earnings Fund as provided in the Indenture. The Earnings Fund shall be maintained by the Trustee until the Lessor directs, in writing, that it be closed.

The Trustee shall establish and maintain in the Earnings Fund a separate account designated as the "Investment Earnings Account," and a separate account designated as the "Excess Earnings Account." All moneys in the Investment Earnings Account and the Excess Earnings Account shall be held by the Trustee in trust and shall be kept separate and apart from all other funds and money held by the Trustee. Pursuant to the Indenture, the Trustee shall deposit, as and when received, all Investment Earnings on the funds and accounts established under the Indenture (other than the Costs of Issuance Account and the Excess Earnings Account) into the Investment Earnings Account. Amounts on deposit in the Investment Earnings Account shall be transferred to the Excess Earnings Account pursuant to written instructions from the Lessor Representative in accordance with the provisions of the Tax Certificate. Upon such transfer, any amount remaining in the Investment Earnings Account or any amount on deposit in the Excess Earnings Account which exceeds the amount required to be maintained therein in accordance with the provisions of the Tax Certificate, shall pursuant to written instructions from the Lessor Representative be deposited to the Interest Account of the Bond Fund. Except as set forth in the preceding sentence, amounts on deposit in the Excess Earnings Account shall only be applied to payments made to the United States in accordance with written instructions of the Lessor Representative.

Insurance Proceeds Fund

If any Equipment Component shall be damaged, destroyed or stolen, the Lessee may elect to repair or replace such affected Equipment Component if the conditions set forth in the Lease are satisfied. If any Equipment Component shall be damaged, destroyed or stolen and the Lessee exercises its option to repair or replace such affected Equipment Component, the Lessee shall deposit with the Trustee the full amount of any insurance deductible relating to any insurance policy pursuant to which the Lessee will file an insurance claim. The proceeds of any insurance (other than any rental interruption), including the proceeds of any self-insurance fund or insurance deductible received on account of any damage, destruction or taking of any Equipment Component or portion thereof and any other amount which the Lessee elects to deposit with the Trustee for purposes of repairing or replacing any Equipment Component, shall be held by the Trustee in a special fund to be created by the Trustee, designated as the "Insurance Proceeds Fund," and held under the Indenture and, if the Lessee exercises its option to repair or replace such affected Equipment Component, such proceeds shall be made available for, and to the extent necessary to be applied to, the cost of the repair or replacement upon receipt by the Trustee of a requisition executed by a Lessor Representative, together with invoices for the repair or replacement as provided in the Lease. Pending such application, such proceeds may be invested by the Trustee solely at the written direction of the Lessor, in Qualified Investments that mature not later than the times money is expected to be needed to pay the costs of repair or replacement. If within 60 days following the receipt by the Trustee of any proceeds of any insurance, including the proceeds of any self-insurance fund claim relating to any Equipment Component, the Lessee does not exercise its option to repair or replace the affected Equipment Component, such proceeds shall be, at the direction of the Lessee, transferred to the Lessee if and to the extent that the Base Rental due under the Lease does not exceed the fair rental value of the remaining Equipment or deposited into the Redemption Account and applied to the redemption of Bonds in the manner provided in the Indenture.

Investments Authorized

Except as otherwise provided in the Indenture, money held by the Trustee in any fund or account under the Indenture shall be invested by the Trustee in such Qualified Investments as the Lessor shall direct in writing or shall confirm in writing pending application as provided in the Indenture. The Qualified Investments shall be registered in the name of the Trustee where applicable, as Trustee, and shall be held by the Trustee. Absent timely written directions from the Lessor, the Trustee shall invest any funds held under the Indenture by it in securities described in subsection (5) of the definition of Qualified Investments. The Lessor agrees that it will give direction to invest or confirm investments only in Qualified Investments and the Trustee shall have no obligation to inquire into the accuracy of the Lessor's determination that such investments are Qualified Investments. Absent direction from the Lessor to the contrary, the Trustee may commingle any of the funds held by it pursuant to the Indenture into a separate fund or funds for investment purposes only; provided, however, that all funds and accounts held by the Trustee shall be accounted for separately notwithstanding such commingling by the Trustee, including separate accounting of the earnings on such commingled investments. The Trustee may purchase or sell to itself or any affiliate, principal or agent, investments authorized by this paragraph. Any investments and reinvestment shall be made giving full consideration to the time at which funds are required to be available under the Indenture and, subject to the Tax Certificate, to the highest yield practicably obtainable giving due regard to the safety of the funds and the date upon which the funds will be required for the uses and purposes required by the Indenture. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment or as a sponsor or advisor with respect to any investment. The Lessor acknowledges that to the extent the Comptroller of the Currency or other applicable regulatory entity grants the Lessor the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the Lessor specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Lessor

periodic cash transaction statements which will include detail for all investment transactions made by the Trustee under the Indenture.

Provisions Relating to the Trustee

The Trustee is appointed to act solely as set forth in the Indenture, to receive, hold and disburse in accordance with the terms of the Indenture the moneys to be paid to it, to authenticate and deliver Bonds secured by Base Rental to be made by the Lessee under the Lease, to apply and disburse payments received pursuant to the Lease to Bondowners, all as provided in the Indenture. By executing and delivering the Indenture, the Trustee accepts the duties and obligations provided in the Indenture.

The Lessor may at any time, so long as no Event of Default has occurred and is continuing, by written request at any time and for any reason, remove the Trustee and any successor thereto, and shall thereupon appoint a successor or successors thereto, but any such successor shall be a commercial bank, national banking association, or trust company having an office in Los Angeles, California, which, together with the corporate parent of such Trustee, has a combined capital (exclusive of borrowed capital) and surplus of at least $100,000,000 and shall be subject to supervision or examination by federal or state banking authority. Notwithstanding the foregoing, a bank, national banking association or trust company which does not have a combined capital and surplus of at least $100,000,000 may be appointed as the successor Trustee if its obligations under the Indenture are guaranteed by an affiliate which meets the capitalization requirement set forth in the preceding sentence, which guaranty shall be acceptable as to form and substance to the Lessor. If the bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes as provided for under the Indenture, the combined capital and surplus of the bank, national banking association or trust company shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published. Any removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

The Trustee or any successor may at any time resign by giving written notice to the Lessor and by giving notice by first class mail, postage prepaid, to the Bondowners of its intention to resign and of the proposed date of resignation, which shall be a date not less than 45 days after mailing of the notice, unless an earlier appointment of a successor trustee shall have been affected. Upon receiving the notice of resignation, the Lessor shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Lessor fails to appoint a successor Trustee within 30 days following receipt of the written notice of resignation or following its removal of the Trustee, the retiring Trustee may, at the expense of the Lessor, petition the appropriate court having jurisdiction to appoint a successor Trustee.

Any resignation of the Trustee shall become effective upon acceptance of appointment by the successor Trustee. Any successor Trustee approved by the Bondowners, the Lessor or any court shall satisfy the qualifications set forth in the Indenture. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Trustee shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under the Indenture), shall be the successor to the Trustee without the execution or filing of any paper or further action, anything in the Indenture to the contrary notwithstanding.

Amendments

Amendments to Indenture. The Indenture may be modified or amended at any time without the consent of any Bondowners, upon the written agreement of the Lessor and the Trustee, but only (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective

provisions contained in the Indenture, (b) in regard to questions arising under the Indenture which the Trustee may deem necessary or desirable and not inconsistent with the Indenture and which shall not adversely affect the interests of the Bondowners then Outstanding, (c) to qualify the Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (d) for any other reason; provided such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding; and provided further that the Lessor and the Trustee may rely in entering into any such amendment or modification of the Indenture upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Bondowner to receive the Bondowner's proportionate share of Base Rental in accordance with the provisions of the Owner's Bond without the prior written consent of the Bondowner so affected, and no amendment shall reduce the percentage of Bondowners whose consent is required for any amendment to the Indenture without the prior written consent of the Owners of all Bonds then Outstanding. The Trustee may in its discretion, but shall not be obligated to, enter into any such amendment which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture.

Amendments to Lease. The Lease may be amended in writing by agreement among the parties to the Indenture. The Lease may be modified or amended at any time, and the Trustee may consent to such modification or amendment without the consent of any Bondowners, if such modification or amendment is (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provision contained in the Indenture; (b) in regard to questions arising under the Lease which the Lessee and the Lessor may deem necessary or desirable and not inconsistent with the Lease and which shall not adversely affect the interests of the Bondowners then Outstanding; (c) to modify or amend the equipment description set forth in Exhibit B to the Lease to reflect the substitution of Equipment Components; (d) to modify or amend Exhibit A to the Lease to reflect the acquisition of Equipment Components after the Closing Date, if applicable; (e) to modify or amend Exhibit A to the Lease to reflect the prepayment of Base Rental pursuant to the Lease; or (f) for any other reason; provided such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding; and provided further that the Lessor and the Trustee may rely in entering into any such amendment or modification of the Indenture or in giving consent to such amendment or modification upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment to the Lease shall impair the right of an Bondowner to receive such Bondowner's share of Base Rental in accordance with the terms of his Bond or shall decrease the amount of Base Rental payable or postpone the dates upon which such payments are to be made without the prior written consent of the Bondowner so affected.

Consent of Bondowners. If the consent of the Bondowners is required or requested with respect to any proposed amendment to the Indenture or to the Lease, it shall not be necessary for the consent of the Bondowners to approve the particular form of any such amendment, but it shall be sufficient if such consent shall approve the substance thereof. If at any time the Lessee or the Lessor shall request the Trustee to enter into any amendment to the Indenture or to consent to an amendment to the Lease and the Trustee determines that the consent of the Bondowners is required for such amendment, then the Trustee shall, at the expense of the Lessor, cause notice of the proposed execution of a document containing such amendment, and requesting their consent thereto, to be mailed, postage prepaid, to the Owners of all Outstanding Bonds at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondowners.

Whenever, at any time after the date of the mailing of such notice, there shall be delivered to the Trustee an instrument or instruments in writing purporting to be executed by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendment described in such notice and specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Trustee upon having received the consent of the Lessor may execute such amendment or give its consent thereto in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Bondowner shall have consented thereto. If the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of such supplemental agreement shall have consented to and approved the execution of such supplemental agreement as provided under the Indenture, no Owner of any Bond shall have any right to object to the execution of such amendment, or to object to any of the terms and provisions contained in such supplemental agreement or the operation thereof or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Lessor from executing the same or from taking any action pursuant to the provisions of such supplemental agreement.

The lack of actual receipt by any Bondowner of such notice and request for consent and any defects in such notice and request for consent shall not affect the validity of the proceedings for the obtaining of such consent. A certificate of the Trustee that the notice and request for consent have been mailed as provided in the Indenture shall be conclusive as against all parties. Any such written consent shall be binding upon the Bondowner giving such consent and on any subsequent Bondowner (whether or not such subsequent Bondowner has notice thereof) unless such consent is revoked in writing by the Bondowner giving such consent or by the subsequent Bondowner. To be effective, any revocation of consent must be filed at the address provided in the request for consent before the Trustee shall have executed the applicable amendment or given its consent to the applicable amendment as provided under the Indenture.

Covenants

Lessor to Perform Pursuant to Lease. The Lessor covenants and agrees with the Bondowners to perform all obligations and duties imposed on it as Lessor under the Lease.

Extension of Payment of Bonds. The Lessor shall not directly or indirectly extend the dates upon which the Base Rental payments are required to be paid or prepaid, or the time of payment of interest with respect thereto. Nothing in the Indenture shall be deemed to limit the right of the Lessor to issue any securities for the purpose of providing funds for the repayment of the Bonds and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds.

Access to Books and Records; Notices. The Trustee shall at all times have access to those books and records of the Lessor which may be reasonably required by the Trustee to fulfill its duties and obligations under the Indenture.

General. The Lessor shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Lessor under the provisions of the Indenture. The Treasurer and Tax Collector of the Lessee as ex officio officer of the Lessor and all deputies or assistants of such officer are designated agents of the Lessor for the purposes of instructing the Trustee under the Indenture and executing and delivering any documents necessary or advisable for the transactions contemplated by the Indenture or in order to accomplish the purposes of the Indenture, and the Lessor further authorizes such persons to instruct the Trustee as they deem necessary and to execute and deliver such documents. The Lessor certifies, declares, recites and warrants that upon the date of initial issuance of any of the Bonds, (a) all conditions, acts and things with respect to the Lessor required by the Constitution and the laws of the State and the Indenture to exist, to have happened and to have been performed precedent

to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Constitution of the State and the applicable laws of the State, and (b) the Lessor is duly authorized to execute and enter into the Indenture.

Tax Matters. The Lessor shall at all times do and perform all acts and things permitted by law and the Indenture which are necessary or desirable in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Lessor agrees to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds. The Trustee agrees to comply with any written instructions received from the Lessor which the Lessor indicates must be followed in order to comply with the Tax Certificate.

Prosecution and Defense of Suits. The Lessor shall promptly take such action as may be necessary to cure any defect in the title to the Equipment or any Equipment Component, whether now existing or hereafter occurring, and shall prosecute and defend all suits, actions and all other proceedings as may be appropriate for such purpose.

Further Assurances. The Lessor will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the provisions of the Indenture, and for the better assuring and confirming to the Trustee, on behalf of the Bondowners, the rights and benefits provided in the Indenture.

Continuing Disclosure. The Lessee has covenanted and agreed in the Disclosure Certificate that the Lessee will comply with and carry out all of the provisions of the Disclosure Certificate. Notwithstanding anything to the contrary contained in the Indenture, failure to comply with the provisions of the Disclosure Certificate shall not be considered an Event of Default under the Indenture; provided, however, the Trustee at the written request of any Bondowner of at least 25% aggregate principal amount of Bonds, shall, or any Bondowner may, take such actions as may be necessary and appropriate but only to the extent indemnified to its satisfaction from any cost, liability, expense or additional charges, including without limitation fees and expenses of its attorneys, including seeking mandate on specific performance by court order, to cause the Lessee to comply with its obligations under the Disclosure Certificate.

Notices to Rating Agencies . The Trustee covenants and agrees that it shall give or cause to be given notice to the Rating Agencies of the occurrence of any amendments to the Indenture or the Lease, to the extent actually known to it; and any redemption, purchase or defeasance of the Bonds.

Events of Default and Remedies of Owners

The following shall be "Events of Default" under the Indenture: (a) an event of default shall have occurred under the Lease; or (b) breach by the Lessor of any other terms, covenants or conditions contained in the Indenture or the Lease, and failure to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee to the Lessor, or to the Lessor and the Trustee or the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that if such breach cannot be remedied within the 60 day period, the Lessor, the Trustee or the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall not unreasonably withhold their consent to an extension of time if corrective action is instituted by the Lessee within the 60 day period and diligently pursued until the default is corrected. In the event an Event of Default has occurred and is continuing and the Trustee has actual knowledge of such Event of Default, the Trustee shall give notice, at the expense of the Lessor, of the Event of Default to the Bondowners. The notice shall state that the Lessor is in default and shall provide a brief description of the default. The Trustee in its discretion may withhold notice if it deems it in the best interest of the Bondowners. The notice to

Bondowners provided for under the Indenture shall be given by first class mail, postage prepaid, to the Bondowners within 30 days of the occurrence of the Event of Default, to the extent such Event of Default is actually known to the Trustee.

Upon the occurrence and continuance of any Event of Default specified in subsection (a) of the immediately preceding paragraph, the Trustee may proceed ((upon written request of the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction by the Bondowners, shall proceed) to exercise the remedies set forth in of the Lease or available to the Trustee under the Indenture. The Trustee shall exercise the rights and remedies vested in it under the Indenture with the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his affairs. No remedy conferred upon or reserved to the Trustee under the Indenture or the Lease is intended to be exclusive and every remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture and the Lease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Bondowners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than the notice as may be required in the Indenture or by law. In the event any provision contained in the Indenture should be breached by a party and thereafter waived by another party, the waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach.

In the event the Trustee fails to take any action to eliminate an Event of Default under the Lease or under the Indenture, including the collection of Base Rental when due, the Bondowners of a majority in aggregate principal amount of the Bonds then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Lease or the Indenture, but only if such Bondowners, shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Lease or the Indenture or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with the request within a reasonable time. Notwithstanding any other provisions in the Indenture, the right of any Bondowner to receive the Bondowner's share of Base Rental in accordance with the provisions of his Bond or to institute suit for the enforcement of any such payment on or after such payments become due shall not be impaired or affected without the consent of such Bondowner.

Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses), to the extent necessary to pay all principal and interest then due and unpaid with respect to all Outstanding Bonds and to make the deposit into the Base Rental Account required to be made pursuant to the Lease, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Indenture or the Lease shall be deposited by the Trustee into the Base Rental Account and transferred, first, to the Interest Account and, then, to the Principal Account to pay the interest and principal due with respect to the Bonds. If the amount deposited into the Interest Account is not sufficient to pay all overdue interest payments, the amounts deposited shall, if paid to the owners of the Bonds, be distributed pro rata to such owners on the basis of the amount of interest due and unpaid to the owners. If the amount deposited into the Principal Account is not sufficient to pay all overdue principal payments, the amount deposited shall, if paid to such owners, be distributed pro rata to such owners on the basis of the amount of principal due and unpaid to the owners.

To the extent not required to be deposited into the Base Rental Account pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any

rights and powers under the Indenture or the Lease shall be applied as follows in the order of priority indicated: (a) first, to the payment of Additional Rental then due and payable; and (b) thereafter, any remaining amounts shall be deposited into the Base Rental Account.

Limitation of Liability

Neither the Lessee nor the Lessor shall have any obligation or liability to the Bondowners with respect to the performance by the Trustee of any duty imposed upon the Trustee under the Indenture, including the distribution by the Trustee of principal of and interest on the Bonds to the owners of the Bonds. Except as provided in the Indenture, neither the Trustee nor the Lessor shall have any obligation or liability to the owners of the Bonds with respect to the payment of Base Rental by the Lessee when due, or with respect to the performance by the Lessee of any other covenant made by the Lessee in the Lease. Except for (a) the payment of Base Rental and Additional Rental when due in accordance with the provisions of the Lease, and (b) the performance by the Lessee of its obligations and duties as set forth in the Lease, the Lessee shall have no obligation or liability to the Trustee or the owners of the Bonds.

Neither the Trustee nor the Lessor shall have any obligation or responsibility for providing information to the Bondowners concerning the investment quality of the Bonds, for the sufficiency of any Base Rental or for the actions or representations of the Lessee. Neither the Trustee nor the Lessor (except as provided below) shall have any obligation or liability to the Lessee with respect to the failure or refusal of the Lessee to perform any covenant or agreement made by it under the Lease, but shall be responsible solely for the performance of the duties expressly imposed upon it under the Indenture. Notwithstanding the foregoing, the Lessor shall be liable to the owners of the Bonds with respect to the failure of the Lessee to perform any covenant or agreement contained in the Lease, but only to the extent of the Lessor's interest in the Equipment. The recitals of facts, covenants, and agreements contained in the Lease shall be taken as statements, covenants and agreements of the Lessee and neither the Trustee nor the Lessor assumes any responsibility for the correctness of the same and makes no representation as to the validity or sufficiency of the Indenture, the Lease or the Bonds, or as to the value of or title to the Equipment and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations assigned to or imposed upon it under the Indenture. The Trustee shall not be liable except for its own negligence or willful misconduct.

To the extent permitted by law, the Lessor shall indemnify and save and hold the Trustee harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all losses, including the costs of defense, and damages suffered by it as a result thereof (which includes legal fees and expenses), where and to the extent such claim, suit or action arises out of the performance of its duties under the Indenture, or the actions of any other party to the Indenture or the Lease, including but not limited to the ownership, operation or use of the Equipment, the defense of any suit or the enforcement of any remedies under the Indenture, the Bonds or any related document. Such indemnification shall not extend to judgments or settlements obtained against the Trustee and expenses of litigation in connection therewith based upon failure of the Trustee to perform and carry out the duties specifically imposed upon and to be performed by the Trustee pursuant to the Indenture, unless the Lessor has agreed in writing that the Trustee not perform such duty. In the event the Lessor is required to indemnify the Trustee as provided in the Indenture, the Lessor shall be subrogated to the rights of the Trustee to recover such losses or damages from any person or entity. This section will survive the termination of the Indenture and the earlier removal or resignation of the Trustee.

Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give any person other than the Lessee, the Lessor, the Trustee and the owners of the Bonds any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision

of the Indenture; and all such covenants, conditions, and provisions are and shall be for the sole and exclusive benefit of the Lessee, the Lessor, the Trustee and the owners of the Bonds.

Defeasance

All or any of the Bonds shall be paid or be deemed to be paid in one of the following ways: (1) by the deposit by the Lessor with the Trustee, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Bond Fund and dedicated, as evidenced by a certificate of a Lessor Representative, to this purpose, without the need for further investment, is fully sufficient to pay the Bonds, including all principal and interest due with respect thereto, provided, however, that this means of defeasance shall be subject to written confirmation by each nationally recognized rating agency, then rating the Bonds, that the defeasance provided for in the Indenture, will not cause the then current ratings to be reduced or withdrawn; or (2) by the deposit with the Trustee in accordance with the Lease, at or before maturity of the Bonds, of cash and/or Qualified Investments which, in the written opinion of a certified public accountant, is in an amount sufficient, together with the earnings to accrue on the Qualified Investments without the need for further investment, to pay when due the debt service on the Bonds, including all principal, redemption premium, if any, and interest payable with the respect thereto, provided, however, that this means of defeasance shall be subject to written confirmation by each nationally recognized rating agency, then rating the Bonds, that the defeasance provided in the Indenture, will not cause the then current ratings to be reduced or withdrawn.

When any Bond has been paid or is deemed to have been paid as provided in the Indenture, the Bond shall no longer be deemed Outstanding under the provisions of the Indenture, and all obligations of the Trustee and the Lessor under the Indenture with respect to the Bond shall cease, except only the obligations of the Trustee under certain provisions of the Indenture and the obligations to pay or cause to be paid to the Bondowner thereof all sums due with respect thereto and to pay to the Trustee any amounts due pursuant to the Indenture.

THE LEASE AGREEMENT

Term

The Term of the Lease shall commence on the Closing Date, and shall end on the earlier of (1) such time as the Bonds payable from Base Rental attributable to all the Equipment Components shall have been paid (including any abated Base Rental) and provided no default or event of default then exists and is continuing under the Lease, or (2) December 1, 2022 unless such Term is otherwise terminated or extended as hereinafter provided. If on December 1, 2022, the Indenture shall not be discharged by its terms, or if the Base Rental payable under the Lease shall be abated at any time and for any reason, then the Term of the Lease shall be extended until the Indenture shall be discharged by its terms. If prior to December 1, 2022, the Base Rental and Additional Rental shall have been fully paid in connection with the Bonds, the Term of the Lease shall end ten days thereafter or ten days after written notice by the Lessee to the Lessor to the effect that the Base Rental and Additional Rental payable under the Lease shall be fully paid and all Bonds have been fully paid, and the Lease shall thereupon terminate.

Base Rental

Subject to the provisions of the Lease, the Lessee shall pay to the Lessor, its successors and assigns, as a portion of the rental for the use and possession of the Equipment, Base Rental payments, each comprised of components of principal and interest, equal to the aggregate Base Rental specified in the Lease. Except as otherwise required under the Lease, in no event shall the Base Rental on any date be less than the aggregate amount of principal and interest required to be paid or redeemed on such date with

respect to the Bonds. Base Rental payable by the Lessee shall be due on or before each Interest Payment Date during the Term of the Lease, each such date being a "Lease Payment Date." The interest component of Base Rental payable on or before June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 31 of such year and the interest component of Base Rental payable on or before December 1 in any year shall be for the period of June 1 of such year (or from the Closing Date in the case of the first year) to November 30 of such year. The principal component of Base Rental payable on or before June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 31 of such year and the principal component of Base Rental payable on or before December 1 in any year shall be for the period of June 1 of such year (or from the Closing Date in the case of the first year) to November 30 of such year. To secure the performance of its obligation to pay Base Rental, the Lessee shall deposit the Base Rental payable on or before each Lease Payment Date with the Trustee, in immediately available funds, on or before that Lease Payment Date, in each case for application by the Trustee in accordance with the terms of the Indenture. The obligation of the Lessee to pay Base Rental shall commence on the Closing Date.

Base Rental shall be paid from any source of legally available funds of the Lessee and, so long as any Equipment Component is available for the Lessee's use, the Lessee covenants to take such action as may be necessary to include all Rental Payments due under the Lease in any Fiscal Year during the Term in its annual budget for the Fiscal Year and to make the necessary annual appropriations for all such Rental Payments, which covenants of the Lessee shall be deemed to be, and shall be, ministerial duties imposed by law, and it shall be the duty of each and every public official of the Lessee to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Lessee to carry out and perform the covenants made by the Lessee under the Lease. Subject to certain provisions of the Lease, the Lessee's obligation to make Rental Payments when due shall be absolute and unconditional without any right of set off or counterclaim. The obligation of the Lessee to make Rental Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the Lessee to make Rental Payments under the Lease constitute indebtedness of the Lessee, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Notwithstanding any dispute between the Lessor and the Lessee, including any dispute as to the failure of any Equipment Component to perform the task for which it is leased, the Lessee shall make all Rental Payments when due and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event the Lessee should fail to make any of the payments required, the payments in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable to the Lessor, its successors and assigns, at the rate equal to the net effective interest rate paid with the respect to the Bonds on the date such interest was due.

The Base Rental and the Additional Rental required by the Lease shall be paid by the Lessee in consideration of the right of possession of, and the continued use and possession of, the Equipment during each such period for which said rental is to be paid. The parties to the Lease have agreed and determined that the Base Rental for each of such period as set forth in the Lease does not exceed the fair rental value of the Equipment. In making such determination, consideration has been given to the Acquisition Costs, other obligations of the parties under the Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Equipment and the benefits therefrom which will accrue to the Lessee and the general public. The Lessee understands and agrees that, pursuant to the assignment provided for in the Indenture, the Lessor has assigned its right to receive and collect Base Rental and prepayments thereof and certain other rights to the Trustee in trust for the benefit of the Bondowners, and the Lessee consents to such assignment. The Lessor directs the Lessee, and the Lessee

agrees to pay to the Trustee at the Principal Corporate Trust Office, or to the Trustee at such other place as the Trustee shall direct in writing, all payments payable by the Lessee pursuant to the Lease. The total Rental Payments due in any Fiscal Year shall be for the use and possession of the Equipment for such Fiscal Year. Base Rental payments shall be subject to abatement as provided in the Lease.

Additional Rental

In addition to the Base Rental, the Lessee shall pay as Additional Rental such amounts as shall be required for the payment of all administrative costs of the Lessor, if any, relating to the Equipment or the issuance of the Bonds, including without limitation, taxes of any sort whatsoever payable by the Lessor as a result of its ownership of the Equipment or undertaking of the transactions contemplated in the Lease or in the Indenture, fees of auditors, accountants, attorneys or engineers, fees, expenses and indemnification costs of the Trustee and all other necessary administrative costs of the Lessor and Lessee or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Lease, the Bonds or of the Indenture, including the insurance premiums required to maintain insurance as required under the Lease, or to defend the Lessor, its members and each Indemnified Party. Additional Rental due under the Lease shall be paid by the Lessee directly to the person or persons to whom such amounts shall be payable. The Lessee shall pay all such amounts when due or within thirty days after notice in writing from the Trustee to the Lessee, stating the amount of additional payments then due and payable and the purpose thereof.

Substitution of Equipment Components

The Lessee shall, at any time, have the right to substitute any item of personal property of comparable value to and a Useful Life not less than the remaining Useful Life of, the Equipment Component to be substituted, but only by providing the Trustee with (a) a written certificate (i) describing both the new Equipment Component and the Equipment Component for which it is to be substituted, and stating that such new Equipment Component is of comparable value and has a Useful Life not less than the Useful Life of the Equipment Component for which it is being substituted and (ii) stating that such substitution will not result in an abatement of Rental Payments, and (b) a new Exhibit B to the Lease, which shall include the substitute Equipment Components and which shall supersede in its entirety the existing Exhibit B to the Lease. All costs and expenses incurred in connection with such substitution, including without limitation the cost of acquiring such property, shall be borne by the Lessee. In the event of such substitution, the Equipment Component substituted for the original Equipment Component shall become fully subject to the terms of the Lease. Notwithstanding any substitution of Equipment Components pursuant to the Lease, there shall be no reduction in the Base Rental due from the Lessee under the Lease and there shall be no reduction in the aggregate fair rental value of the Equipment as a result of such substitution.

Option to Purchase Equipment Components and Prepay Base Rental

The Lessee shall have the exclusive right and option, which shall be irrevocable during the Term of the Lease, to purchase all but not less than all of the Lessor's right, title and interest in the Equipment on any Business Day, upon payment of the option price, but only if the Lessee is not in default under the Lease and only in the manner provided in the Lease. The option price for the Equipment in any Fiscal Year shall be the amount necessary to pay or defease all of the Bonds then Outstanding. The Lessee shall exercise its option to purchase the Equipment under the Lease by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in the Equipment and the option price shall be payable in installments solely from amounts deposited with the Trustee as provided in the Lease. Each such installment (i) shall be payable at each time at which a payment of Base Rental would have been payable had such option not been exercised, and (ii) shall be in an amount equal to the amount of Base Rental which would have been payable had such option not been exercised. In order to secure its obligations to pay the installments referred to above and to provide for the payment

thereof, the Lessee, concurrently with the exercise of its option under the Lease, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or Qualified Investments in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to above at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the Lessee shall be remitted to the Lessee. On any Business Day as to which the Lessee shall properly have exercised the option granted it pursuant to the Lease, and shall have paid or made provision (as set forth in the preceding paragraph) for the payment of the required option price, the Lessor and the Trustee shall execute and deliver to the Lessee bills of sale or quitclaim deeds and releases, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in each purchased Equipment Component. If the Lessee shall properly exercise the option provided in the Lease prior to the expiration of the Term of the Lease, and the Lessor and the Trustee shall execute and deliver the bills of sale or quitclaim deeds and releases, as appropriate, for each Equipment Component as aforesaid, then the Lease shall terminate, but such termination shall not affect the Lessee's obligation to pay the option price on the terms set forth in the Lease.

In the event that the Lessee exercises its option to purchase all of the Equipment and in connection therewith performs all of its obligations and satisfies all of the requirements specified in the immediately preceding paragraph and pays all Additional Rental required by the Lease, the Lessee's obligations under the Lease shall thereupon cease and terminate, including but not limited to the Lessee's obligations to continue to pay Base Rental under the Lease.

The Lessee shall also have the exclusive right and option, which shall be irrevocable during the Term of the Lease, to purchase the Lessor's right, title and interest in any Equipment Component on any Business Day, upon payment of the option price therefor, but only if the Lessee is not then in default under the Lease and only in the manner provided in the Lease. The option price for the Equipment in any Fiscal Year shall be the amount necessary to pay or defease all of the Bonds then Outstanding. The Lessee shall exercise its option to purchase under this paragraph by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in any Equipment Component and the option price shall be payable in installments solely from amounts deposited with the Trustee as provided in the Lease. Each such installment (i) shall be payable at each time at which a payment of Base Rental would have been payable had such option not been exercised, and (ii) shall be in an amount equal to the amount of Base Rental which would have been payable had such option not been exercised. In order to secure its obligations to pay the installments referred to above and to provide for the payment thereof, the Lessee, concurrently with the exercise of its purchase option under the Lease, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or Qualified Investments in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to above at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the Lessee shall be remitted to the Lessee. On any Business Day as to which the Lessee shall properly have exercised its option to purchase any Equipment Component pursuant to this paragraph, and shall have paid the option price therefor, the Lessor and the Trustee shall execute and deliver to the Lessee bills of sale or quitclaim deeds and releases, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in each Equipment Component. If the Lessee shall properly exercise the option provided in this paragraph as to any Equipment Component prior to the expiration of the Term of the Lease, then the lease for that Component shall terminate and thereafter the Lessee shall be obligated to pay Base Rental only on the remaining Equipment Components.

In the event the Lessee exercises its option to purchase any Equipment Component and in connection therewith performs all of its obligations and satisfies all of the requirements specified in the immediately preceding paragraph with respect to such Equipment Component, the principal component of each Base Rental due on each Lease Payment Date after such date of purchase shall be reduced by an amount equal to the principal amount of Bonds payable on that Lease Payment Date which were redeemed or defeased (as a result of such purchase) and the interest component of each Base Rental due on each Lease Payment Date after such date of purchase shall be reduced by an amount equal to the interest which would have been payable on that Lease Payment Date on the prepaid principal components (as a result of such purchase) had such amounts not been prepaid. If any such reductions in Base Rental shall occur, the Lease shall be amended by the Lessee to reflect such reductions.

Maintenance

The Lessee shall, at its own expense, maintain the Equipment, or cause the same to be maintained, in good order, condition and repair and furnish all parts, mechanisms, devices and servicing required therefor so that the value and condition of the Equipment will at all times be maintained, ordinary wear and tear excepted. All such parts, mechanisms and devices shall immediately, without further act, become part of the Equipment, without cost to the Lessor. The Lessee shall provide or cause to be provided all maintenance service, security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Equipment. The Lessee shall cause all Equipment Components to be operated in accordance with the manufacturer's or supplier's instructions or manuals, by duly qualified personnel only and in compliance with all laws and regulations applicable to such Equipment Components and with all insurance which the Lessee is required to maintain under the Lease. It is understood and agreed that in consideration of the payment by the Lessee of the Rental Payments provided for in the Lease, the Lessee is entitled to use and possession of the Equipment and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Equipment during the Term of the Lease. The Lessor shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever to the Equipment. The Lessee expressly waives the right to make repairs or to perform maintenance of the Equipment at the expense of the Lessor and (to the extent applicable and to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating to repairs and maintenance. The Lessee shall keep the Equipment free and clear of all liens, charges and encumbrances, other than provided in the Lease, and any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed on or materials furnished in connection with the Equipment which are not due and payable or the amount, validity or application of which is being contested in accordance with the Lease.

Insurance

The Lessee shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Lease, all coverage on the Equipment required by the Lease. Such insurance shall consist of: (a) a policy or policies of insurance against loss or damage to the Equipment known as "all risk," including theft, earthquake and flood. Such insurance shall be maintained at all times in an amount not less than the greater of the full replacement value of the Equipment or the aggregate principal amount of Bonds at such time Outstanding (such insurance may at any time include a deductible clause providing for a deductible not to exceed $1,000,000 from all losses in any year; if such policies are not available or if such policies are not obtainable with such deductibles from reputable insurers at a reasonable cost on the open market, the Lessee shall self-insure to the extent it cannot obtain such insurance policies); (b) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Equipment (such insurance shall

afford protection with a combined single limit of not less than $100,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the Lessee's risk management officer or an independent insurance consultant retained by the Lessee for that purpose); provided, however, that the Lessee's obligations under this clause (b) may be satisfied by self-insurance; (c) rental interruption insurance to cover loss, total or partial, of the use of any part of the Equipment as a result of any of the hazards covered by the insurance required pursuant to clause (a) above, in an amount sufficient at all times to pay the Base Rental payable under the Lease for a period of not less than two years (the Lessee may not self -insure for rental interruption insurance); and (d) workers' compensation insurance issued by a responsible carrier authorized under the laws of the State or by qualified self-insurance programs, to insure against liability for compensation under the Workers' Compensation Insurance and Safety Act in force in the State, or any act enacted after the date of the Lease as an amendment or supplement thereto or in lieu thereof.

Liens

Except as provided in the Lease, the Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgages, pledges, liens, charges, encumbrances or claims, as applicable, on or with respect to the Equipment, other than the respective rights of the Lessor and the Lessee as provided in the Lease. Except as expressly provided in the Lease, the Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; provided, however, that the Lessee (a) may contest any such mortgage, pledge, lien, charge, encumbrance or claim without payment thereof so long as such non-payment and contest stays execution or enforcement of such mortgage, pledge, lien, charge, encumbrance or claim, but if such mortgage, pledge, lien, charge, encumbrance or claim is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the Lessee shall forthwith pay and discharge such judgment or such mortgage, pledge, lien, charge, encumbrance or claim, or (b) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture. The Lessee shall reimburse the Lessor for any expense incurred by the Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Laws and Ordinances

The Lessee agrees to observe and comply with all rules, regulations and laws applicable to the Lessee with respect to each Equipment Component and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the Lessee, and the Lessor shall not be liable therefor. The Lessee agrees further to place, keep, use, maintain and operate the Equipment in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Abatement

A proportionate amount of Base Rental shall be abated during any period in which, by reason of condemnation, damage, destruction, theft or otherwise, there is substantial interference with the use and possession of any Equipment Component by the Lessee and the Base Rental due hereunder shall exceed the fair rental value of the Equipment. There shall be no abatement of Base Rental to the extent that moneys are (a) on deposit in the in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and (b) otherwise legally available to the Lessee and transferred to the Trustee for the purpose of making Base Rental, and are available to pay the amount which would otherwise be abated. The amount of any abatement shall be such that the resulting Base Rental in any Fiscal Year during which such interference continues, excluding any amounts described in clauses (a) and (b) above, do not exceed the

fair rental value for the use and possession of the Equipment Components not condemned, taken, damaged or destroyed. Such abatement shall commence on the date of condemnation, theft, damage or destruction and shall end with the substantial completion of the work of repair of the Equipment Component or the delivery of a replacement Equipment Component. Additional Rental shall not be abated so long as a significant portion of the Equipment Components remains available for the use and possession of the Lessee. Except as provided in the Lease, in the event of any such condemnation, theft, damage or destruction, the Lease shall continue in full force and effect and the Lessee waives any right to terminate the Lease by virtue of any such condemnation, theft, damage or destruction.

Application of Insurance Proceeds

If the Lessee shall receive insurance proceeds as a result of any Equipment Component being condemned, stolen, damaged or destroyed and the fair rental value of the remaining Equipment exceeds the Base Rental due hereunder, such insurance proceeds may be retained by the Lessee without any obligation to repair or replace the condemned, stolen, damaged or destroyed Equipment Component. If the Lessee shall receive insurance proceeds as a result of any Equipment Component being condemned, stolen, damaged or destroyed and the fair rental value of the remaining Equipment is less than the Base Rental due hereunder, the Lessee shall either promptly repair or replace the condemned, stolen, damaged or destroyed Equipment Component so long as such repair or replacement can be completed within the period during which rental interruption insurance proceeds will be available if Base Rental is to be abated as a result of any such condemnation, theft, damage or destruction, or apply any insurance proceeds received as a result of such condemnation, theft, damage or destruction to the extraordinary redemption of the Bonds as provided in the Indenture so that the remaining Base Rental due hereunder shall be at least equal to the fair rental value of the remaining Equipment.

If the Lessee exercises its option to repair or replace any condemned, stolen, damaged or destroyed Equipment Component as set forth in the preceding paragraph, the Lessee shall deposit with the Trustee the amount of any insurance deductible with respect to such affected Equipment Component and such amount together with any insurance proceeds received as a result of such condemnation, theft, damage or destruction shall be applied to the repair or replacement of the affected Equipment Component in accordance with the Lease and the Indenture.

If the Lessee exercises its option to repair or replace any condemned, stolen, damaged or destroyed Equipment Component, the Lessee agrees to diligently and expeditiously pursue the repair or replacement of such condemned, stolen, damaged or destroyed Equipment Component. In connection with the repair or replacement of the affected Equipment Component, insurance proceeds (together with any insurance deductible required to be deposited with the Trustee) shall be made available to the Lessee from time to time upon receipt of a requisition signed by the Lessee Representative stating with respect to each payment to be made pursuant to such requisition (a) the requisition number, (b) the name and address of the person, firm or corporation to whom payment is due, (c) the amount to be paid, (d) that each obligation mentioned in the requisition has been properly incurred, is a proper charge against the Insurance Proceeds Fund, and (e) that such payment has not been the basis of any previous withdrawal. Each such requisition shall specify in reasonable detail the nature of the obligation and shall be accompanied by a bill or a statement of account for such obligation. Upon completion of such repair or replacement as evidenced by a certificate of a Lessee Representative delivered to the Trustee any remaining moneys in the Insurance Proceeds Fund shall be applied to the extraordinary redemption as provided in the Indenture.

Assignment, Subleasing and Amendment of the Lease

Except as provided in the Indenture, the Lessor will not assign the Lease, its right to receive Base Rental from the Lessee, or its duties and obligations under the Lease to any other person, firm or corporation.

The Lessee may sublease any Equipment Component, with the consent of the Lessor, subject to all of the following conditions: (a) the Lease and the obligation of the Lessee to make Base Rental under the Lease shall remain obligations of the Lessee; (b) the Lessee shall, within sixty (60) days after the delivery thereof, furnish or cause to be furnished to the Lessor and the Trustee a true and complete copy of such sublease; (c) no sublease by the Lessee shall cause any Equipment Component to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and (d) prior to entering into any sublease, the Lessee shall deliver to the Trustee an opinion of Bond Counsel to the effect that the interest component of the Base Rental due with respect to the Equipment Component subject to the sublease shall not be includable in gross income for federal income tax purposes as a result of such sublease.

The Lessee will not alter, modify or cancel or agree or consent to alter, modify or cancel the Lease except as permitted by the Indenture.

Events of Default and Remedies

The following shall be "events of default" under the Lease and the terms "events of default" and "defaults" shall mean, whenever they are used in the Lease, any one or more of the following events: (a) failure by the Lessee to pay any Base Rental required to be paid under the Lease when due on a Lease Payment Date; (b) failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Lease or otherwise with respect to the Lease or in the Indenture, other than as referred to in clause (a) of this paragraph, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the Lessee by the Lessor, the Trustee, or the Bondowners of not less than a majority in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor, the Trustee or such Owners, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected; (c) the filing by the Lessee of a case in bankruptcy, or the subjection of any right or interest of the Lessee under the Lease to any execution, garnishment or attachment, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of creditors, or the entry by the Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may be enacted after the date of the Lease; and (d) the Lessor 's failure to perform any of its obligations under the Lease shall not be an event permitting the nonpayment of Base Rental by the Lessee or the termination of the Lease by the Lessee.

The parties hereto agree that any remedies provided under the Lease shall be exercised by the Trustee, as assignee of the Lessor's rights. Upon the occurrence and continuance of any event of default, the Trustee may proceed (and upon written request of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding shall proceed) to exercise the remedies set forth in the Lease. Pursuant to California Civil Code Section 1951.4, notwithstanding that the Lessee has breached the Lease and abandoned the Equipment, the Lease shall continue in effect and the Lessor or the Trustee may enforce all of their rights and remedies under the Lease. Without limiting any other remedies available to the Trustee under the Lease or at law, the Trustee shall have the right, at its option, without any further notice

(a) to recover rent as it becomes due under the Lease, and (b) to exercise any other right or remedy which may be available to it under applicable law or to proceed by appropriate court action to enforce the terms of the Lease or to recover damages for the breach of the Lease or to rescind the Lease. In addition, unless and until the Lease has been terminated pursuant to its terms, the Lessee shall be liable for all unpaid rent and other amounts due under the Lease before or during the exercise of any of the foregoing remedies and for all legal fees, taxes, governmental charges and other costs and expenses incurred by reason of the occurrence of any event of default or the exercise of the Trustee's remedies with respect thereto.

Neither the Lessor nor the Trustee shall exercise its remedies under the Lease so as to cause the portion of Base Rental designated as and comprising interest to be included in gross income for federal income tax purposes or to be subject to State personal income taxes. Notwithstanding any other provision of the Lease to the contrary, in no event shall the Lessor or the Trustee have the right to accelerate the payment of any Base Rental under the Lease. Notwithstanding any provision of the Lease to the contrary, the Trustee does not have the right: (i) to demand that the Lessee return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX D

FORM OF FINAL OPINION OF BOND COUNSEL

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX D

FORM OF FINAL OPINION OF BOND COUNSEL

Upon the delivery of the Bonds, Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation, proposes to issue its approving opinion in substantially the following form:

Los Angeles County Capital Asset Leasing Corporation
Los Angeles, California

County of Los Angeles
Los Angeles, California

We have examined a record of proceedings relating to the issuance of $23,465,000 Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2020 Series A (LAC-CAL Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of July 1, 2020 (the "Indenture"), by and between the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") and U.S. Bank National Association, as Trustee (the "Trustee"). The Bonds are payable from and secured by payments of Base Rental, as such term is defined in the Lease Agreement, dated as of July 1, 2020 (the "Lease Agreement"), by and between the Corporation, as lessor, and the County of Los Angeles, California, a political subdivision of the State of California, as lessee (the "County"). Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Indenture and the Lease Agreement.

We are of the opinion that:

1. The Lease Agreement has been duly authorized, executed and delivered by the County and constitutes a valid and legally binding obligation of the County, enforceable in accordance with its terms.

2. The Indenture has been duly authorized, executed and delivered by the Corporation and constitutes a valid and legally binding obligation of the Corporation, enforceable in accordance with its terms.

3. The obligation of the County to make Base Rental payments during the term of the Lease Agreement constitutes a valid and binding obligation of the County, payable from funds of the County lawfully available therefor, and does not constitute a debt of the County or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction and does not constitute an obligation for which the County or the State of California is obligated to levy or pledge any form of taxation or for which the County or State of California has levied or pledged any form of taxation.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code and (ii) interest on Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of

the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to their date of execution and delivery, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the County and the Corporation will execute a Tax Certificate containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate (the "Tax Certificate"), the County and the Corporation covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph (4) hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate with respect to matters affecting the status of interest on the Bonds, and (ii) compliance by the County and the Corporation with procedures and representations set forth in the Tax Certificate as to such matters.

5. Under existing statutes, interest on the Bonds is exempt from State of California personal income tax.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 4 and 5. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

We have examined an executed Bond and in our opinion, the form of said Bond and its execution are regular and proper.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds and the Resolution may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

This letter is furnished by us as Bond Counsel and is solely for your benefit and it is not to be used, circulated, quoted, or otherwise referred to for any purposes other than the issuance and delivery of the Bonds and may not be relied upon by any other person or entity without our express written permission, except that references may be made to it in any list of closing documents pertaining to the delivery of the Bonds.

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the County of Los Angeles (the "County") in connection with the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2020 Series A (LAC-CAL Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to the terms of an Indenture of Trust dated as of July 1, 2020 (the "Indenture"), by and between the County and U.S. Bank National Association, as Trustee (the "Trustee"), a Resolution of the Board of Supervisors of the County relating to the issuance of the Bonds. The County hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"EMMA System" means the MSRB's Electronic Municipal Market Access system.

"Financial Obligation" means "financial obligation" as such term is defined in the Rule.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than April 1 after the end of the County's fiscal year, commencing with the report for the County's June 30, 2021 fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 Business Days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If the County is unable to provide to the MSRB an Annual Report by the date specified in subsection (a) above, the County shall send timely notice of this event to the MSRB in electronic form prescribed by the MSRB.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the County) file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the County for the preceding fiscal year, prepared in accordance with (1) generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and (2) reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the County, the Annual Report shall also include the following:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the fiscal year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;

(iv) summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;

(v) summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the most recently ended fiscal year of the County.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been made available to the public on the MSRB's website. The County shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties of the County;

(iv) unscheduled draws on any credit enhancement reflecting financial difficulties of the County;

(v) substitution of credit or liquidity providers or failure of a credit or liquidity provider to perform its obligations with respect to the Bonds;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(viii) modifications to rights of Bondholders, if material;

(ix) redemption or call of the Bonds, if material, and tender offers;

(x) defeasances;

(xi) release, substitution or sale of property securing repayment of the Bonds, if material;

(xii) rating changes;

(xiii) bankruptcy, insolvency, receivership or similar event of the County; *provided* that for the purposes of the events described in this clause, such an event is considered to occur upon: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but

subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County;

(xiv) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xv) appointment of a successor or additional trustee or the change of name of the trustee, if material;

(xvi) incurrence of a Financial Obligation of the County, if material or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect security holders, if material; and

(xvii) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

Certain of the foregoing events may not be applicable to the Bonds.

(b) Upon the occurrence of a Listed Event described in Section 5(a), the County shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 10. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Los Angeles or in U.S. District Court in or nearest to the County of Los Angeles. The sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: July 23, 2020.

COUNTY OF LOS ANGELES

By:_____

Authorized Signatory

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX F

BOOK-ENTRY SYSTEM

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX F

BOOK-ENTRY SYSTEM

The information in this Appendix F concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC, and neither the County (as defined in the front part of this Official Statement) nor Corporation (as defined in the front part of this Official Statement) take responsibility for the accuracy thereof. The County and the Corporation cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of the principal or interest components with respect the Bonds ("Debt Service"); (b) confirmations of ownership interest in the Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Neither the County, the Corporation, nor the Trustee will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners, as defined below, with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Indenture (as such term is defined in the Official Statement to which this Appendix F is attached); or (4) any consent given or other action taken by DTC as registered owner of the Bonds.

Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book- entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated "AA+" by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information presented on each website is not incorporated by reference as part of this Official Statement.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MALI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as

may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered in accordance with the provisions of the Indenture.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the provisions of the Indenture relating to place of payment, transfer and exchange of the Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of Holders and ownership of Bonds will govern the payment, registration, transfer, exchange and replacement of the Bonds. Interested persons should contact the County for further information regarding such provisions of the Indenture.

COUNTY OF LOS ANGELES

CALIFORNIA

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION • LEASE REVENUE BONDS, 2020 SERIES A (LAC-CAL EQUIPMENT PROGRAM)

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com