JOSEPH KELLY
TREASURER AND TAX COLLECTOR

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

KENNETH HAHN HALL OF ADMINISTRATION
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May 15, 2018

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

59 May 15, 2018

CELIA ZAVALA
ACTING EXECUTIVE OFFICER

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ISSUANCE AND SALE OF
2018-19 TAX AND REVENUE ANTICIPATION NOTES
(ALL DISTRICTS) (3 VOTES)

SUBJECT

The Treasurer and Tax Collector is requesting authorization to issue Tax and Revenue Anticipation Notes (TRANs) to meet the Fiscal Year 2018-19 cash flow needs of the County General Fund. This short-term borrowing program enables the County to manage the funding of its expenditure requirements and to reduce the need for internal borrowing. We are requesting a maximum authorization for the 2018-19 TRANs in an amount not to exceed $700,000,000.

IT IS RECOMMENDED THAT THE BOARD:

Adopt the Resolution authorizing the issuance and sale of the 2018-19 Tax and Revenue Anticipation Notes in an aggregate principal amount not to exceed $700,000,000.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Adoption of the attached Resolution will authorize the issuance of the 2018-19 TRANs and the execution and delivery of all related financing documents. Each year since 1977, the County has issued tax-exempt TRANs in connection with its cash management program for the upcoming fiscal year. This short-term borrowing program is necessary given that the County receives certain revenues, such as property taxes, on an uneven basis throughout the fiscal year. The proceeds generated from the issuance of TRANs are maintained in a separate fund by the Auditor-Controller and transferred on a periodic basis to meet the cash needs of the County General Fund. This process will reduce the County's need for internal borrowing during the upcoming fiscal year.

Due to the County's stable financial condition and improved cash flows, we are requesting a maximum authorization for the 2018-19 TRANs in the amount of $700,000,000, which represents a $100,000,000 reduction from the par amount of TRANs authorized and issued for Fiscal Year 2017-18. As in prior years, the final par amount of the 2018-19 TRANs may be adjusted to reflect updated cash flow projections for Fiscal Year 2018-19, and to ensure compliance with Federal regulations for tax-exempt financings.

Implementation of Strategic Plan Goals

The recommended action supports County Strategic Plan Strategy III.3 – Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability.

FISCAL IMPACT/FINANCING

The borrowing cost of the 2018-19 TRANs will depend on market conditions on the date of the sale. The Resolution provides that the true interest cost of the TRANs shall not exceed three percent (3%). However, based on current market conditions the actual cost of borrowing is expected to be significantly lower and may result in a true interest cost of approximately one and three-quarters percent (1.75%).

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Based on current conditions in the municipal note market, the 2018-19 TRANs are expected to be sold as a single series of one-year fixed-rate notes maturing on June 28, 2019. However, the final structure of the TRANs will be determined at the time of pricing, which is currently scheduled for early June 2018. Proceeds from the sale of the 2018-19 TRANs are expected to be available to the County on July 2, 2018.

Consistent with the County's historical practice, the Treasurer and Tax Collector is recommending a negotiated sale of the 2018-19 TRANs. Based on the results of a competitive solicitation process, Goldman Sachs was selected as the lead senior managing underwriter, with JP Morgan appointed to serve as the co-senior manager. Up to four co-managers will be added to the underwriting syndicate for the TRANs prior to the pricing date. Squire Patton Boggs LLP will serve as note counsel for this transaction.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The 2018-19 TRANs are issued as part of a cash management program, which has no direct impact on current services.

CONCLUSION

Upon approval of this Resolution, it is requested that the Acting Executive Officer-Clerk of the Board of Supervisors return two originally executed copies of the adopted Resolution to the Treasurer and Tax Collector (Office of Public Finance).

Respectfully submitted,

Joseph Kelly

Treasurer and Tax Collector

JK:JP:BS:ad

Enclosures

c: Chief Executive Officer
Auditor-Controller
County Counsel
Squire Patton Boggs LLP

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES, CALIFORNIA PROVIDING FOR THE ISSUANCE AND SALE OF 2018-19 TAX AND REVENUE ANTICIPATION NOTES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $700,000,000

WHEREAS, the County of Los Angeles (the **"County"**), a political subdivision of the State of California, requires funds for the purposes authorized by Section 53852 of the California Government Code; and

WHEREAS, the County may borrow money pursuant to Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858, inclusive, as amended (the **"Act"**), for the purposes authorized by Section 53852 of the Act, such indebtedness to be represented by a note or notes of the County; and

WHEREAS, pursuant to the Act, such note or notes are to be issued pursuant to a resolution of the Board of Supervisors of the County (the **"Board"**) and may be issued from time to time as provided in such resolution; and

WHEREAS, the County has determined that it is necessary and in the best interests of the County to authorize the borrowing of an amount not to exceed $700,000,000 with respect to its fiscal year ending June 30, 2019 (**"Fiscal Year 2018-19"**), such indebtedness to be evidenced by the County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes authorized hereby (the **"2018-19 TRANs"**) in an aggregate principal amount not to exceed the amount stated above in anticipation of the receipt by or accrual to the County during such fiscal year of taxes, income, revenue, cash receipts and other moneys provided for such fiscal year for the General Fund of the County; and

WHEREAS, the terms and provisions of the 2018-19 TRANs shall be as set forth in this Resolution and in the Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of the County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes, a form of which has been filed with the Board (such Financing Certificate, in the form filed with the Board, with such changes therein as are made pursuant to this Resolution, being referred to herein as the **"Financing Certificate"**); and

WHEREAS, the unrestricted taxes, income, revenue, cash receipts and other moneys to be received by or accrue to the County during the Fiscal Year 2018-19 that will be available for the payment of the 2018-19 TRANs and all other notes issued by the County under the Act in such fiscal year, and the interest thereon, are reasonably estimated to be in excess of $7,700,000,000; and

WHEREAS, there has been filed with the Board a form of Contract of Purchase, one or more of which are to be executed and delivered by the County and the initial purchasers of all or a portion of the 2018-19 TRANs as may be selected by the Treasurer (as defined herein) from time to time (each such Contract of Purchase, in the form filed with the Board, with such changes therein as are made pursuant to this Resolution, being referred to herein as a **"Contract of Purchase"**); and

WHEREAS, there has been filed with the Board a form of preliminary official statement to be used in connection with the offering and sale of the 2018-19 TRANs (such preliminary official statement, in the form filed with the Board, with such changes therein as are made pursuant to this Resolution, being referred to herein as a **"Preliminary Official Statement"**); and

WHEREAS, there has been filed with the Board a form of Continuing Disclosure Certificate to be executed and delivered by the County in connection with the issuance and sale of the 2018-19 TRANs (such Continuing Disclosure Certificate, in the form filed with the Board, with such changes therein as are made pursuant to this Resolution, being referred to herein as the **"Disclosure Certificate"**);

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles as follows:

Section 1. The foregoing recitals are true and correct and the Board hereby so finds.

Section 2. The form of Financing Certificate, in substantially the form on file with the Board and by this reference incorporated herein, is hereby approved. Subject to the provisions of Section 3 hereof, the Treasurer and Tax Collector of the County, and such other officer of the County as the Treasurer and Tax Collector may designate (collectively, the **"Treasurer"**), are, and each of them is, hereby authorized, and hereby directed, for and in the name of and on behalf of the County, to execute and deliver the Financing Certificate, substantially in the form on file with the Board, with such changes therein as may be necessary or as the Treasurer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Treasurer is empowered to implement the fundamental policies established by this Resolution in a manner determined by the Treasurer to be in the best interests of the County, after giving consideration to each of the following with regard to the issuance of the 2018-19 TRANs: (i) market access; (ii) the costs to the County; and (iii) the generation of sufficient proceeds, as contemplated by this Resolution. Without limiting the foregoing, the Treasurer, subject to Section 3 hereof, may determine the maturity date or dates and amount or amounts for any and each respective series of the 2018-19 TRANs, and the Treasurer is hereby authorized to make conforming changes reflecting such maturity or maturities and amount or amounts to each of the documents approved by this Resolution, including establishing the dates and amounts of Unrestricted Revenues (as defined herein) to be set aside pursuant to Section 9 hereof under the Financing Certificate, as the Treasurer determines are necessary or appropriate. The terms and conditions as set forth (or incorporated by reference) in the Financing Certificate, together with the terms and conditions of the 2018-19 TRANs set forth in this Resolution, shall, upon the execution and delivery of the Financing Certificate, be the terms and conditions of such 2018-19 TRANs, as if all such terms and conditions were fully set forth in this Resolution.

Section 3. The 2018-19 TRANs are hereby authorized to be issued in one or more series in an aggregate principal amount not to exceed $700,000,000. The 2018-19 TRANs in one or more series shall mature on any date or dates not later than 13 months from their date of issuance, in each case as shall be established by the Treasurer and set forth in the Financing Certificate.

Section 4. In consideration of the purchase and acceptance of any and all of the 2018-19 TRANs authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the County and the holders thereof (the "**Holders**"). The pledge made in, and the covenants and agreements to be performed by and on behalf of the County set forth in, this Resolution shall be for the equal benefit, protection and security of the Holders of any and all of the 2018-19 TRANs, regardless of the maturity or maturities of the separate series of 2018-19 TRANs, if any, shall be of equal rank without preference, priority or distinction of any of the 2018-19 TRANs over any other thereof, except as expressly provided in or permitted by the Financing Certificate.

Section 5. The 2018-19 TRANs may be subject to redemption if so provided, and in the manner provided, in the Financing Certificate.

Section 6. The Treasurer is authorized to negotiate the sale of the 2018-19 TRANs issued under this Resolution from time to time at such prices (not to exceed the maximum interest rate permitted by law) as may be established by the Treasurer and set forth in one or more Contracts of Purchase between the County and the respective initial purchasers of all or a portion of the 2018-19 TRANs, substantially in the form submitted to and considered at this meeting of the Board and by this reference incorporated herein; *provided, however,* that (a) the price and the interest rates for 2018-19 TRANs of any series shall not result in a true interest cost (taking into consideration all applicable contracts entered into pursuant to Section 11 of this Resolution) to the County with respect to such series of 2018-19 TRANs that exceeds 3.00% per annum, and (b) the aggregate underwriters' discount (not including any original issue discount) from the principal amount of such series of 2018-19 TRANs issued shall not exceed 1.00% of the aggregate principal amount of such series of 2018-19 TRANs. The Treasurer is hereby authorized, and is hereby directed, for and in the name of and on behalf of the County, to execute and deliver each Contract of Purchase, substantially in the form on file with the Board, and any other documents required to be executed pursuant to each such Contract of Purchase, with such changes therein as may be necessary or as the Treasurer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The form of the Preliminary Official Statement, in substantially the form on file with the Board and by this reference incorporated herein, is hereby approved. The Treasurer is hereby authorized to prepare and distribute, or cause to be prepared and distributed, one or more Preliminary Official Statements in substantially the form presented to this meeting, with such changes as the Treasurer or any of his respective designees may approve. The Treasurer and his respective designees are and each of them acting alone is hereby authorized, for and in the name of and on behalf of the County, to approve one or more final official statements for the 2018-19 TRANs (each, an **"Official Statement"**) authorized hereby, each in substantially the form of the respective Preliminary Official Statement, with such insertions and changes therein as the Treasurer or any of his respective designees may require or approve, in their discretion, as being in the best interests of the County, such approval to be conclusively evidenced by the delivery of such Official Statement or Official Statements. The Treasurer and any of his respective designees are hereby further authorized, for and in the name of and on behalf of the County, to execute and deliver a certificate or other instrument deeming each Preliminary Official Statement to be final as of its respective date except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended.

Section 8. All or any portion of the 2018-19 TRANs may be sold with credit enhancement (such as a letter of credit or policy of municipal bond insurance), if the Treasurer determines that the savings and benefits to the County resulting from the purchase of such credit enhancement exceed the cost thereof. The form, terms and conditions of each instrument providing such credit enhancement or liquidity support shall be as approved by the Treasurer.

Section 9. The Auditor-Controller of the County (the **"Auditor-Controller"**) is hereby directed to establish or cause to be established a "2018-19 TRANs Repayment Fund" (the **"2018-19 TRANs Repayment Fund"**) and any additional subaccounts therein that the Auditor-Controller deems necessary to effectuate the purposes of this Resolution.

The term **"Unrestricted Revenues"** shall mean the taxes, income, revenue, cash receipts and other moneys provided for Fiscal Year 2018-19 which will be received by or will accrue to the County during such fiscal year for the General Fund of the County and which are lawfully available for the payment of current expenses and other obligations of the County. As provided in the Financing Certificate and in the Act, and subject to the provisions of this Resolution and the Financing Certificate permitting the application thereof for the purposes and on the terms and conditions set forth herein and therein, the County hereby pledges to the payment of the 2018-19 TRANs and the interest thereon, the first Unrestricted Revenues to be received by the County, in each period specified in the Financing Certificate, in an amount equal to the amount, or in the proportion of the total amount due, specified in the Financing Certificate (calculated based on the maximum authorization established hereunder of $700,000,000), as the Financing Certificate shall be completed as provided in this Resolution (the **"Pledged Revenues"**).

As provided in Section 53856 of the Act, the 2018-19 TRANs and the interest thereon, shall be a first lien and charge against, and shall be payable from the first moneys received by the County from, the Pledged Revenues. As security for the payment of the 2018-19 TRANs, the County hereby covenants to deposit or cause to be deposited in the 2018-19 TRANs Repayment Fund, in trust for the registered owners of the 2018-19 TRANs, the Pledged Revenues to be so deposited, and the Auditor-Controller is hereby directed to deposit in the 2018-19 TRANs Repayment Fund the Pledged Revenues. To the extent that any amounts actually received pursuant to the set-aside requirements set forth above (as shall be completed as provided in the Financing Certificate) are less than the amount designated for each such set-aside, then the amount of any deficiency in the 2018-19 TRANs Repayment Fund shall be satisfied and made up from any other moneys of the County lawfully available therefor and the Auditor-Controller is hereby directed to deposit into the 2018-19 TRANs Repayment Fund additional amounts from any such other moneys of the County. The amounts on deposit in the 2018-19 TRANs Repayment Fund are hereby pledged to the payment of the 2018-19 TRANs and the interest thereon, and said amounts shall not be used for any other purpose until the 2018-19 TRANs and the interest thereon have been paid in full or such payment has been duly provided for; provided, however, that earnings on amounts in the 2018-19 TRANs Repayment Fund shall be deposited as and when received into the General Fund of the County.

The Pledged Revenues may be invested in Permitted Investments (as defined in the Financing Certificate); provided, however, that such Pledged Revenues shall not be invested for a term that exceeds the term of the 2018-19 TRANs. Any amounts remaining in the 2018-19 TRANs Repayment Fund after repayment of all 2018-19 TRANs and the interest thereon shall be transferred to any account in the General Fund of the County as the Treasurer or any of his respective designees may direct.

Section 10. The form of Disclosure Certificate on file with the Board and by this reference incorporated herein is hereby approved. The Treasurer is hereby authorized for and in the name of and on behalf of the County to execute and deliver the Disclosure Certificate, substantially in the form on file with the Board, with such changes therein as may be necessary or as the Treasurer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 11. Pursuant to Section 5922 of Chapter 12, Division 6, Title 1 of the California Government Code, as amended, the Board hereby authorizes the Treasurer, in connection with, or incidental to, the issuance or carrying of the 2018-19 TRANs, or the acquisition or carrying of any investment or program of investment by the County, to enter into any contracts, including without limitation contracts commonly known as interest rate swap agreements, forward payment conversion agreements, futures or contracts providing for payments based on levels of, or changes in, interest rates or stock or other indices, or contracts to exchange cashflows or a series of payments, or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar exposure, which the Treasurer determines to be necessary or appropriate (with such terms and provisions as the Treasurer deems necessary or appropriate) to place the obligation or investment represented by such 2018-19 TRANs, such investment or program of investment, or such contract or contracts, in whole or in part, on the interest rate, cashflow or other basis determined by the Treasurer. The principal or notional amount with respect to any such contract entered into shall not exceed the greater of the aggregate principal amount of the 2018-19 TRANs or the amount of Pledged Revenues.

These contracts and arrangements shall be entered into with the parties, including without limitation the initial purchasers of any 2018-19 TRANs, selected by the means determined by the Treasurer, and shall contain the payment, security, default, remedy and other terms and conditions determined by the Treasurer, after giving due consideration for the creditworthiness of the counterparties, where applicable, including any rating by a nationally recognized rating agency or any other criteria as may be appropriate. The form, terms and conditions of any such contract entered into shall be as approved by the Treasurer and consistent with the purposes of this Resolution and the Financing Certificate.

The Board hereby finds and determines that the contracts authorized by this Section are designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the issuance of the 2018-19 TRANs and to enhance the relationship between risk and return with respect to the investment or program of investment in connection with, or incident to, the contract or arrangement which is entered into.

Section 12. Whenever any document or instrument, including without limitation any 2018-19 TRANs, any Contract of Purchase or the Financing Certificate, or any term, provision or condition thereof, is to be approved or established by an authorized officer of the County pursuant to this Resolution, such approval or establishment shall be conclusively evidenced by such authorized officer's execution of such document or instrument or the document or instrument containing such term, provision or condition.

Section 13. The officers of the County and their authorized representatives are, and each of them acting alone is, hereby authorized to execute any and all documents and do and perform any and all acts and things, from time to time, consistent with this Resolution and the Financing Certificate and necessary or appropriate to carry the same into effect and to carry out its purposes.

Section 14. This Resolution shall take effect immediately upon its adoption.

The foregoing resolution was on the 15th day of May, 2018, adopted by the Board of Supervisors of the County of Los Angeles and *ex-officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

CELIA ZAVALA
Acting Executive Officer – Clerk of the Board
of Supervisors of the County of Los Angeles

By: ______________________
Deputy

Approved as to form:

MARY C. WICKHAM
County Counsel

By: ______________________
Deputy County Counsel

FINANCING CERTIFICATE
PROVIDING FOR THE TERMS AND CONDITIONS
OF ISSUANCE AND SALE OF
COUNTY OF LOS ANGELES
2018-19 TAX AND REVENUE ANTICIPATION NOTES

Dated: July 2, 2018

$700,000,000
COUNTY OF LOS ANGELES
2018-19 TAX AND REVENUE ANTICIPATION NOTES

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FINANCING CERTIFICATE
PROVIDING FOR THE TERMS AND CONDITIONS OF ISSUANCE AND SALE OF 2018-19 TAX AND REVENUE ANTICIPATION NOTES

In connection with the issuance and sale of the 2018-19 Tax and Revenue Anticipation Notes (the **"2018-19 TRANs"**) by the County of Los Angeles, California (the **"County"**), the Treasurer and Tax Collector of the County of Los Angeles (the **"Treasurer"**) hereby certifies that the 2018-19 TRANs shall be issued on the following terms and conditions:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 101. Definitions. The following terms shall for all purposes of this Certificate have the following meanings:

"Act" shall mean Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858, inclusive, as amended.

"Auditor-Controller" shall mean the Auditor-Controller of the County, and any other person designated by the Auditor-Controller to act on his behalf.

"Authorized Denominations" shall mean $5,000 or any integral multiple thereof.

"Authorized Newspapers" shall mean *The Bond Buyer* and two other newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, in Los Angeles, California, and in the Borough of Manhattan, City and State of New York.

"Board" shall mean the Board of Supervisors of the County.

"Business Day" shall mean any calendar day other than (i) a Saturday or Sunday; (ii) a day on which banking institutions are authorized or required by law to be closed for commercial banking purposes in either the State of New York or the State of California or in the state in which the Principal Office of the Paying Agent is located; or (iii) a day on which the New York Stock Exchange is closed.

"Certificate" shall mean this "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes," as from time to time amended or supplemented in accordance with the terms hereof.

"Chair" shall mean the Chair, Chairperson, Chairman or Mayor of the Board.

"Code" shall mean the Internal Revenue Code of 1986.

"Contract of Purchase" shall mean an agreement between the County and the Original Purchaser of all or a portion of the 2018-19 TRANs, together with any amendments thereto.

"County" shall mean the County of Los Angeles, California, its successors and assigns.

"DTC" shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Event of Default" shall have the meaning assigned to such term in Section 503.

"Fiscal Year 2018-19" shall mean the County's fiscal year ending June 30, 2019.

"Fitch" shall mean Fitch Ratings, 33 Whitehall Street, New York, New York 10004, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency (other than Moody's or S&P) designated by the County.

"General Fund" shall mean the General Fund of the County.

"Holder" shall mean the Person in whose name any 2018-19 TRANs is registered on the Note Register.

"Maturity Date" shall mean any date or dates of maturity of the 2018-19 TRANs as set forth in the 2018-19 TRANs and Section 203 hereof.

"Maximum Interest Rate" shall mean the maximum interest rate allowed by law.

"Moody's" shall mean Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency (other than S&P or Fitch) designated by the County.

"Note Register" shall mean the registration books for the 2018-19 TRANs maintained by the Note Registrar pursuant to Section 302.

"Note Registrar" shall mean the Treasurer or any other Note Registrar appointed by the County pursuant to this Certificate.

"Official Statement" shall mean that certain Official Statement dated June __, 2018, relating to the 2018-19 TRANs, including any approved supplement or amendment thereto.

"Opinion of Bond Counsel" shall mean a written opinion of any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on bonds issued by states and political subdivisions thereof, and duly admitted to practice law before the highest court of any state of the United States of America.

"Original Purchaser" shall mean, collectively, the Persons who are the initial purchasers from the County of the 2018-19 TRANs upon the original issuance thereof.

"Outstanding," when used with reference to the 2018-19 TRANs, shall mean, as of any date, all of the 2018-19 TRANs theretofore or thereupon being issued under this Certificate except:

(i) 2018-19 TRANs cancelled on or prior to such date;

(ii) 2018-19 TRANs for which other 2018-19 TRANs shall have been delivered in lieu of or in substitution therefor pursuant to Article III; and

(iii) 2018-19 TRANs referred to in Section 305.

"Participant" shall mean an entity which is recognized as a participant by the Securities Depository in the book-entry system of maintaining records with respect to the 2018-19 TRANs.

"Paying Agent" shall mean the Treasurer, or any other Paying Agent appointed by the Auditor-Controller pursuant to the Resolution to perform the functions of a paying agent for the 2018-19 TRANs described herein.

"Payment Date" shall mean any date on which the Paying Agent transfers an amount equal to the principal of and interest then due on the 2018-19 TRANs to the Holders thereof.

"Permitted Investments" shall mean, to the extent permitted by law:

(i) Obligations of, or guaranteed as to principal and interest by, the United States of America, or by any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America,

(ii) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board; (b) the Federal Home Loan Mortgage Corporation; (c) the Federal National Mortgage Association ("FNMA"); (d) Federal Farm Credit Bank; (e) Government National Mortgage Association; (f) Student Loan Marketing Association; and (g) guaranteed portions of Small Business Administration notes,

(iii) Commercial Paper having original maturities of not more than 270 days, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of $500 million and having "A" or better rating for the issuer's long-term debt as provided by Moody's, S&P, or Fitch and "P-1," "A-1," "Fl" or better rating for the issuer's short-term debt as provided by Moody's, S&P, or Fitch, respectively. The maximum total par value may be up to 15% of the total amount held by the Treasurer in accordance with this Certificate,

(iv) The Los Angeles County Treasury Pool,

(v) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as "bankers' acceptances," having original maturities of not more than 180 days, with a maximum par value of 40% of the total amount held by the Treasurer in accordance with this Certificate. The institution must have a minimum short-term debt rating of "A-1," "P-1," or "F1" by S&P, Moody's, or Fitch, respectively, and a long-term debt rating of no less than "A" by S&P, Moody's, or Fitch,

(vi) Shares of beneficial interest issued by diversified management companies, known as money market funds, registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 *et seq.*) and whose fund has received the highest possible rating from S&P and at least one other Rating Agency. The maximum par value may be up to 15% of the total amount held by the Treasurer in accordance with this Certificate,

(vii) Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the "A" category or better from S&P, Moody's, or Fitch. The maximum par value may be up to 30% of the total amount held by the Treasurer in accordance with this Certificate,

(viii) Repurchase agreements which have a maximum maturity of 30 days and are fully secured at or greater than 102% of the market value plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with number (ii) above. The maximum par value per issuer may not exceed $250,000,000 and the maximum total par value for all such agreements with funds held by the Treasurer hereunder may not exceed $500,000,000, and

(ix) Investment agreements and guaranteed investment contracts with issuers having a long-term debt rating of at least "AA" or "Aa2" by S&P or Moody's, respectively.

Notwithstanding anything within this definition of Permitted Investments to the contrary, so long as S&P maintains a rating on the 2018-19 TRANs, to the extent Pledged Revenues are invested in Permitted Investments described in paragraphs (iii), (v), (vii) or (ix), such investments must be rated by S&P at the respective S&P ratings described therein.

"Person" shall mean an individual, corporation, firm, limited liability company, association, partnership, trust or other legal entity, including a governmental entity or any agency or political subdivision thereof.

"Pledged Revenues" shall mean, as of any date, the Unrestricted Revenues required hereby to be deposited in the 2018-19 TRANs Repayment Fund on or prior to that date.

"Principal Office" shall mean (i) with respect to the Treasurer, the principal office of the Treasurer in Los Angeles, California, and (ii) with respect to any other Paying Agent, the principal corporate trust office of such Paying Agent.

"Rating Agency" shall mean Moody's, S&P, Fitch or any other nationally recognized securities rating agency designated by the County.

"Representation Letter" shall mean one or more letters of representation from the County to, or other instruments or agreements of the County with, a Securities Depository in which the County, among other things, makes certain representations to such Securities Depository with respect to the 2018-19 TRANs, the payment thereof and delivery of notices with respect thereto.

"Resolution" shall mean the "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2018-19 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $700,000,000," adopted on May 15, 2018, as from time to time amended by any Supplemental Resolution in accordance with the terms hereof.

"S&P" shall mean Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, 55 Water Street, New York, New York 10041, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency (other than Fitch or Moody's) designated by the County.

"Securities Depository" shall mean DTC or any successor as Securities Depository for the 2018-19 TRANs appointed pursuant to Section 202.

"State" shall mean the State of California.

"Supplemental Certificate" shall mean any supplemental financing certificate amending or supplementing this Certificate in accordance with Article VII.

"Supplemental Resolution" shall mean any resolution amending the Resolution, adopted by the County in accordance with Article VII.

"Tax Certificate" shall mean the Tax Certificate, executed by the County on the date of issuance and delivery of the 2018-19 TRANs, as amended from time to time.

"2018-19 TRANs" shall mean all of the County's 2018-19 Tax and Revenue Anticipation Notes, issued in an aggregate principal amount of $700,000,000, in one or more series, and authorized pursuant to the Resolution.

"2018-19 TRANs Proceeds Fund" shall mean the 2018-19 TRANs Proceeds Fund as described in Section 401.

"2018-19 TRANs Repayment Fund" shall mean the 2018-19 TRANs Repayment Fund established in accordance with the Resolution and described in Section 402.

"Treasurer" shall mean the Treasurer and Tax Collector of the County and any other person designated by the Treasurer to act on his behalf.

"Unrestricted Revenues" means the taxes, income, revenue, cash receipts and other moneys provided for Fiscal Year 2018-19 which will be received by or will accrue to the County during such fiscal year for the General Fund of the County and which are lawfully available for the payment of current expenses and other obligations of the County.

Section 102. Other Definitional Provisions. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders and words of the feminine gender shall be deemed and construed to include correlative words of the masculine and neuter genders. Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa. Headings of articles and Sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. Unless otherwise indicated, all references herein to "Articles," "Sections" or other subdivisions are to the corresponding Articles, Sections or subdivisions of this Certificate; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Certificate as a whole and not to any particular Article, Section or subdivision hereof.

Section 103. Authority for Delivery of Certificate. This Certificate is executed and delivered pursuant to and in connection with the Resolution.

Section 104. Timing of Actions. Whenever in this Certificate there is designated a time of day at or by which a certain action must be taken, such time shall be local time in New York City, New York, except as otherwise specifically provided herein.

Section 105. Financing Certificate to Constitute Contract. In consideration of the purchase and acceptance of any and all of the 2018-19 TRANs to be issued hereunder by those who shall hold the same from time to time, this Certificate shall be deemed to be and shall constitute a contract between the County and the Holders from time to time of the 2018-19 TRANs. The pledge made in this Certificate and the covenants and agreements herein set forth to be performed by and on behalf of the County shall be for the equal benefit, protection and security of the Holders of any and all of the 2018-19 TRANs all of which shall be of equal rank without preference, priority or distinction of any of the 2018-19 TRANs over any other thereof, except as expressly provided in or permitted by this Certificate.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF 2018-19 TRANS

Section 201. Authorization, Form and Date of 2018-19 TRANs.

1. The 2018-19 TRANs in an aggregate principal amount of not to exceed $700,000,000 have been authorized to be issued in one or more series pursuant to the Resolution and are entitled to the benefit, protection and security thereof. The 2018-19 TRANs shall be issued in anticipation of the receipt by or accrual to the County during Fiscal Year 2018-19 of taxes, income, revenue, cash receipts and other moneys provided for such fiscal year for the General Fund of the County. Such notes shall be designated as and shall be distinguished from the notes and securities of all other issues of the County by the title "County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes."

2. As of the date hereof, the County has authorized the issuance of $700,000,000 aggregate principal amount of 2018-19 TRANs hereby designated the "2018-19 Tax and Revenue Anticipation Notes."

3. The 2018-19 TRANs shall be issued in fully registered form, without coupons and in Authorized Denominations; provided that the 2018-19 TRANs shall initially be issued in book-entry only form pursuant to Section 202. The County hereby certifies and recites that all acts, conditions and things required by the Act, the Resolution and this Certificate to exist, to have happened, and to have been performed precedent to and during the issuance of the 2018-19 TRANs do exist, have happened and have been performed in due time, form and manner, as required by the Act, the Resolution and this Certificate. The 2018-19 TRANs shall be in substantially the form attached hereto as Exhibit I, which form is hereby approved and adopted as the form of the 2018-19 TRANs.

4. Except as otherwise provided in a Representation Letter, at and after each Maturity Date of the 2018-19 TRANs, the principal of and interest then due on the 2018-19 TRANs shall be payable in lawful money of the United States of America upon surrender of the 2018-19 TRANs at the Principal Office of the Paying Agent. The 2018-19 TRANs so surrendered to the Paying Agent on any Business Day at or prior to 12:00 noon shall be paid in funds immediately available on such Business Day. The 2018-19 TRANs so surrendered to the Paying Agent on any Business Day after 12:00 noon shall be paid on the next succeeding Business Day in funds immediately available on such succeeding Business Day.

5. The 2018-19 TRANs shall not be subject to redemption prior to their respective Maturity Dates.

Section 202. Book-Entry Notes.

1. Subject to any limitation on maximum principal amount imposed by DTC, the 2018-19 TRANs shall be initially issued in the form of a single, separate fully registered note (which may be typewritten) in the full aggregate principal amount for each maturity of such 2018-19 TRANs, and upon initial issuance, the ownership of such 2018-19 TRANs shall be registered in the Note Register in the name of Cede & Co., as nominee of DTC, the initial

Securities Depository. Except as provided in paragraph 5 of this Section, all of the 2018-19 TRANs shall be registered in the Note Register in the name of Cede & Co., or such other nominee of DTC or any successor Securities Depository or the nominee thereof, as shall be specified pursuant to a Representation Letter.

2. With respect to 2018-19 TRANs registered in the Note Register in the name of the Securities Depository, or its nominee, the County and the Paying Agent shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in any such 2018-19 TRANs. Without limiting the immediately preceding sentence, the County and the Paying Agent shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Securities Depository, the nominee of the Securities Depository or any Participant with respect to any ownership interest in the 2018-19 TRANs, (b) the delivery to any Participant or any other Person, other than a Holder as shown in the Note Register, of any notice with respect to the 2018-19 TRANs or (c) the payment to any Participant or any other Person, other than a Holder as shown in the Note Register, of any amount with respect to principal of or interest on the 2018-19 TRANs. The County may treat and consider the Person in whose name any 2018-19 TRANs is registered in the Note Register as the Holder and absolute owner of such 2018-19 TRANs for the purpose of payment of principal and interest on such 2018-19 TRANs and for all other purposes whatsoever.

3. The Paying Agent shall pay all principal of and interest on the 2018-19 TRANs only to or upon the order of the respective Holders, as shown in the Note Register on the respective Maturity Dates thereof, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the obligations with respect to the payment of principal of and interest on the 2018-19 TRANs under this Certificate and the 2018-19 TRANs to the extent of the sums so paid. Upon delivery by the Securities Depository to the Treasurer of written notice to the effect that the Securities Depository has determined to substitute a new nominee, the word "nominee" in this Certificate shall refer to such new nominee of the Securities Depository.

4. In order to qualify the 2018-19 TRANs for the Securities Depository's book-entry system, the Treasurer has been authorized to execute and deliver, or has executed and delivered, on behalf of the County to the Securities Depository a Blanket Letter of Representations regarding such matters as shall be necessary to so qualify such 2018-19 TRANs for deposit with the Securities Depository. The execution and delivery of the Representation Letter or Representation Letters shall not in any way limit the provisions of paragraph 2 of this Section or in any other way impose upon the County any obligation whatsoever with respect to Persons having interests in the 2018-19 TRANs other than the Holders as shown in the Note Register. In addition to the execution and delivery of the Blanket Letter of Representations, the Treasurer and all other officers of the County, and their authorized representatives, are each hereby authorized to take any other actions as they deem necessary or desirable, not inconsistent with this Certificate, to qualify such 2018-19 TRANs for the Securities Depository's book-entry program.

5. In the event (a) the incumbent Securities Depository determines not to continue to act as Securities Depository for the 2018-19 TRANs or (b) the County determines that the incumbent Securities Depository shall no longer so act, and delivers a written certificate to the incumbent Securities Depository to that effect, then the County will discontinue the book-entry

system for the 2018-19 TRANs with the incumbent Securities Depository. If the County determines to replace the incumbent Securities Depository with another qualified Securities Depository, the County shall prepare or direct the preparation of and execute, and the Paying Agent shall authenticate and deliver, subject to any limitation on maximum principal amount imposed by the successor Securities Depository, a new single, separate fully registered note (which may be typewritten) for the aggregate outstanding principal amount of the 2018-19 TRANs held by the incumbent Securities Depository, registered in the name of such successor or substitute qualified Securities Depository or its nominee, or make such other arrangement acceptable to the County and the successor Securities Depository as are not inconsistent with the terms of this Certificate. If the County fails to identify another qualified successor Securities Depository to replace the incumbent Securities Depository, then the 2018-19 TRANs shall no longer be restricted to being registered in the Note Register in the name of the Securities Depository or its nominee, but shall be registered in whatever name or names the Securities Depository or its nominee shall designate. In such event, the County shall prepare or direct the preparation of and execute, and the Paying Agent shall authenticate and deliver to the Holders thereof, such 2018-19 TRANs as are necessary or desirable to carry out the transfers and exchanges provided in this Section and Section 302. All such 2018-19 TRANs shall be in fully registered form in the denominations authorized upon original issuance pursuant to Section 201.

6. Notwithstanding any other provision of this Certificate to the contrary, so long as any 2018-19 TRANs is registered in the name of the Securities Depository or its nominee, all notices and payments with respect to principal of and interest on such 2018-19 TRANs shall be given and made, respectively, as provided in a Representation Letter or as otherwise instructed by the Securities Depository.

Section 203. Maturity Dates, Principal Amount of and Interest on the 2018-19 TRANs. The 2018-19 TRANs shall be dated July 2, 2018. Interest shall be paid on each Maturity Date of the 2018-19 TRANs. The 2018-19 TRANs shall bear interest from their date of original issuance payable at their respective stated Maturity Dates and calculated at the rate or rates set forth below per annum, on the basis of a 360-day year comprised of twelve months of 30 days each. The 2018-19 TRANs shall mature on the dates and in the principal amounts and bear interest at the respective rates as set forth in the following schedule:

Maturity Date	Principal Amount	Interest Rate
June 28, 2019	$700,000,000	____%

ARTICLE III

GENERAL TERMS AND PROVISIONS OF 2018-19 TRANS

Section 301. Execution of 2018-19 TRANs; Authentication.

1. The 2018-19 TRANs shall be executed in the name of the County by the manual or facsimile signature of the Chair of the Board and the Executive Officer-Clerk of the Board, and the County's seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon. No 2018-19 TRANs shall be entitled to any benefit under the Resolution or this Certificate or be valid or obligatory for any purpose, unless there appears on

such 2018-19 TRANs, a certificate of authentication substantially in the form provided for herein executed by the manual signature of the Paying Agent. Such certificate upon any 2018-19 TRANs shall be conclusive evidence, and the only evidence, that such 2018-19 TRANs has been duly issued, authenticated and delivered hereunder.

2. In case any one or more of the officers who shall have signed or sealed any of the 2018-19 TRANs shall cease to be such officer before the 2018-19 TRANs so signed and sealed shall have been issued, such 2018-19 TRANs so signed and sealed may nevertheless be issued, as herein provided, as if such persons who signed or sealed such 2018-19 TRANs had not ceased to hold such offices. Any of the 2018-19 TRANs may be signed and sealed on behalf of the County by such persons as at the time of the execution of such 2018-19 TRANs shall be duly authorized to hold or shall hold the proper office in the County, although on the date borne by the 2018-19 TRANs such persons may not have been so authorized or have held such office.

Section 302. Negotiability, Transfer and Exchange.

1. The Note Registrar will keep at its Principal Office sufficient books for the registration of transfer and exchange of the 2018-19 TRANs, which shall at all times be open to inspection by the County, and upon presentation for such purpose the Note Registrar shall, under such reasonable regulations as it may prescribe, register or transfer 2018-19 TRANs on such books as hereinafter provided.

2. Any 2018-19 TRANs may, in accordance with its terms, be registered as transferred or exchanged upon the Note Register by the Person in whose name it is registered, in person or by such Person's duly authorized attorney, upon surrender of such 2018-19 TRANs for cancellation at the office of the Note Registrar accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Note Registrar. Whenever any 2018-19 TRANs shall be surrendered for transfer, the County shall execute, and the Paying Agent shall authenticate and deliver new 2018-19 TRANs for a like aggregate principal amount of the same type, with the same provisions, including maturity and interest rate, and in Authorized Denominations. The Note Registrar shall require the payment by the Holder requesting such transfer of all expenses incurred by the Note Registrar and the County in connection with such transfer and any tax or other governmental charge required to be paid with respect to such transfer.

3. The County and the Paying Agent may deem and treat the Holder of any 2018-19 TRANs as the absolute owner of such 2018-19 TRANs, regardless of whether such 2018-19 TRANs shall be overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such Holder or upon such Holder's order shall be valid and effective to satisfy and discharge the liability upon such 2018-19 TRANs to the extent of the sum or sums so paid, and neither the County nor any Paying Agent shall be affected by any notice to the contrary. The County agrees, to the extent permitted by law, to indemnify and hold each Paying Agent harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence under this Certificate, in so treating such Holder.

4. The 2018-19 TRANs shall not be exchangeable for other 2018-19 TRANs except as provided in Section 202, this Section and Section 303.

Section 303. <u>2018-19 TRANs Mutilated, Destroyed, Stolen or Lost</u>. In case any 2018-19 TRANs shall become mutilated or be destroyed, stolen or lost, the County shall issue new 2018-19 TRANs of like principal amount, denomination and tenor as the 2018-19 TRANs so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated 2018-19 TRANs, or in lieu of and substitution for the 2018-19 TRANs destroyed, stolen or lost, upon the filing with the Paying Agent and the County of evidence satisfactory to the Paying Agent and the County that such 2018-19 TRANs have been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Paying Agent and the County with indemnity satisfactory to the Paying Agent and the County and complying with such other reasonable regulations as the Paying Agent and the County may prescribe and paying such expenses as the Paying Agent and the County may incur. All 2018-19 TRANs so surrendered shall be cancelled. Any such substitute 2018-19 TRANs shall constitute original contractual obligations on the part of the County, whether or not the 2018-19 TRANs alleged to be destroyed, stolen or lost are at any time enforceable by anyone. Such substitute 2018-19 TRANs shall be equally secured by and entitled to equal and proportionate benefits with all other 2018-19 TRANs issued under the Resolution and this Certificate in any moneys or securities held by the County or the Paying Agent for the benefit of the Holders of the 2018-19 TRANs.

Section 304. <u>Cancellation</u>. All 2018-19 TRANs which at or after maturity are surrendered to the Paying Agent for the collection of the principal thereof and interest thereon shall be cancelled by the Paying Agent and forthwith destroyed by the Paying Agent. The Paying Agent shall deliver to the County a certificate specifying the cancellation of such 2018-19 TRANs. In all matters provided for in this Section, the County shall act through the Treasurer.

Section 305. <u>2018-19 TRANs Held by County</u>. If the County shall become the Holder of any 2018-19 TRANs, such 2018-19 TRANs shall no longer be deemed Outstanding and shall be surrendered to the Paying Agent for cancellation; provided, however, that the County shall not be deemed to be the Holder of any 2018-19 TRANs held by it in a fiduciary capacity.

ARTICLE IV

ESTABLISHMENT OF 2018-19 TRANS PROCEEDS FUND AND REPAYMENT FUND AND APPLICATION THEREOF

Section 401. <u>Use of Proceeds of 2018-19 TRANs</u>.

1. The Auditor-Controller is hereby directed to establish the "2018-19 TRANs Proceeds Fund." The proceeds of the sale of the 2018-19 TRANs upon original issuance shall be deposited in said 2018-19 TRANs Proceeds Fund. The County shall make disbursements from the 2018-19 TRANs Proceeds Fund to pay current Fiscal Year 2018-19 expenditures and to discharge other obligations or indebtedness of the County in accordance with Section 53852 of the Act and the instructions and agreements set forth in the Tax Certificate. Amounts on hand in the 2018-19 TRANs Proceeds Fund shall be accounted for separately from the other funds of the County and shall be invested so as to be available for the aforementioned disbursements. The

Auditor-Controller shall keep a written record of all investments and investment earnings (including any investment of earnings) of amounts in the 2018-19 TRANs Proceeds Fund, as well as a written record of disbursements from the 2018-19 TRANs Proceeds Fund.

2. Without limiting the generality of paragraph 1 of this Section, the Treasurer and his respective designees are authorized to pay the fees and reasonable expenses incurred in connection with the authorization, sale and issuance of the 2018-19 TRANs out of moneys in the 2018-19 TRANs Proceeds Fund or any account in the General Fund of the County.

Section 402. Payment and Security for the 2018-19 TRANs. Pursuant to the Resolution, the Auditor-Controller is hereby directed to establish the "2018-19 TRANs Repayment Fund" and to establish any subaccounts within the 2018-19 TRANs Repayment Fund if deemed necessary to effectuate the purposes of the Resolution and this Certificate. As provided in the Act, and subject to the provisions of the Resolution and this Financing Certificate permitting the application thereof for the purposes and on the terms and conditions set forth therein and herein, the County hereby pledges to the payment of the 2018-19 TRANs and the interest thereon, the first Unrestricted Revenues to be received by the County, in each period specified below, in an amount equal to the amount specified below:

(a) the first [$000,000,000] Unrestricted Revenues to be received by the County on and after December 20, 2018;

(b) the first [$000,000,000] Unrestricted Revenues to be received by the County on and after January 1, 2019; and

(c) (1) the first [$000,000,000] Unrestricted Revenues to be received by the County on and after April 1, 2019; plus (2) an amount equal to the interest that will accrue on the 2018-19 TRANs.

As provided in Section 53856 of the Act, the 2018-19 TRANs and the interest thereon, shall be a first lien and charge against, and shall be payable from the first moneys received by the County from, the Pledged Revenues. As security for the payment of the 2018-19 TRANs, the County hereby covenants to deposit or cause to be deposited in the 2018-19 TRANs Repayment Fund, in trust for the registered owners of the 2018-19 TRANs, the Pledged Revenues to be so deposited, and the Auditor-Controller is hereby directed to deposit in the 2018-19 TRANs Repayment Fund the Pledged Revenues. To the extent that any amounts received pursuant to clauses (a) through (c) above are less than the total amount designated for such deposit, then the amount of any deficiency in the 2018-19 TRANs Repayment Fund shall be satisfied and made up from any other moneys of the County lawfully available therefor and the Auditor-Controller is hereby directed to deposit into the 2018-19 TRANs Repayment Fund additional amounts from any such other moneys of the County. The amounts on deposit in the 2018-19 TRANs Repayment Fund are hereby pledged to the payment of the 2018-19 TRANs and the interest thereon, and said amounts shall not be used for any other purpose until the 2018-19 TRANs and the interest thereon have been paid in full or such payment has been duly provided for; provided, however, that earnings on amounts in the 2018-19 TRANs Repayment Fund shall be deposited as and when received into the General Fund of the County.

The Pledged Revenues may be invested in Permitted Investments; provided, however, that such Pledged Revenues shall not be invested for a term that exceeds the term of the 2018-19 TRANs. Any amounts remaining in the 2018-19 TRANs Repayment Fund after repayment of all 2018-19 TRANs and the interest thereon shall be transferred to any account in the General Fund of the County as the Treasurer or any of his respective designees may direct.

ARTICLE V

CERTAIN COVENANTS; EVENTS OF DEFAULT AND REMEDIES

Section 501. <u>General Covenants and Representations</u>. The County 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 County under the provisions of the Act, the Resolution and this Certificate.

1. Upon the date of issuance of the 2018-19 TRANs, all conditions, acts and things required of the County by the Act, the Resolution and this Certificate to exist, to have happened and to have been performed precedent to and during the issuance of the 2018-19 TRANs, shall exist, shall have happened and shall have been performed, in due time, form and manner, and the issue of 2018-19 TRANs, together with all other indebtedness of the County, shall be within every applicable debt and other limit prescribed by the laws of the State.

2. The County shall not issue any notes, or otherwise incur any indebtedness, pursuant to the Act with respect to Fiscal Year 2018-19 in an amount which, when added to the interest payable thereon, shall exceed 85% of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts and other moneys of the County which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the County, the term of which will terminate during said Fiscal Year, such principal and interest may be disregarded in computing said limit.

3. The County shall provide, in a timely manner, notice to each Rating Agency that is then providing a rating for the 2018-19 TRANs of the following events:

   (a) the substitution or appointment of a successor Paying Agent; and

   (b) any material amendments to the Resolution, this Certificate, the 2018-19 TRANs or the Official Statement.

Section 502. <u>Covenants Relating to the Code</u>. The County shall do the following with respect to the 2018-19 TRANs:

1. The County shall comply with each applicable requirement of the Code necessary to maintain the exclusion of interest on the 2018-19 TRANs from gross income for federal income tax purposes. In furtherance of the foregoing tax covenant, the County agrees to comply with the provisions of the Tax Certificate. The County shall make all calculations as provided in the Tax Certificate relating to any rebate of excess investment earnings on the 2018-19 TRANs proceeds due to the United States Department of Treasury in a reasonable and prudent fashion

and shall segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of Treasury.

2. Notwithstanding any other provisions of this Certificate to the contrary, so long as necessary to maintain the exclusion from gross income of interest on the 2018-19 TRANs for federal income tax purposes, the covenants contained in this Section shall survive the payment of the 2018-19 TRANs and the interest thereon.

3. Notwithstanding any other provision of this Certificate to the contrary, upon the County's failure to observe or refusal to comply with the covenants contained in this Section, the Holders, and any adversely affected former Holders, shall be entitled to the rights and remedies provided to Holders under this Certificate.

Section 503. Events of Default and Remedies. The following shall be Events of Default under the Resolution and this Certificate and the term "Event of Default" whenever used in this Certificate shall mean any one or more of the following:

(a) the County fails to make any payment of the principal of, or interest on, any 2018-19 TRANs when and as the same shall become due and payable;

(b) the County fails to perform or observe any other of the covenants, agreements or conditions required to be performed or observed by the County pursuant to the Resolution, this Certificate or the 2018-19 TRANs and such default shall continue for a period of 60 days after written notice thereof to the County by the Holders of not less than 10% in principal amount of the 2018-19 TRANs Outstanding; or

(c) the County shall file a petition for relief under the federal bankruptcy laws.

Whenever any Event of Default shall have happened and shall be continuing, the Holders, and any adversely affected former Holders, of the 2018-19 TRANs and their legal representatives, shall be entitled to take any and all actions available at law or in equity to enforce the performance of the covenants herein and in the Act. Nothing herein shall preclude an individual Holder from enforcing his or her rights to payment of principal of or interest on the 2018-19 TRANs.

ARTICLE VI

PAYING AGENT

Section 601. Liability of Paying Agent. The Paying Agent makes no representations as to the validity or sufficiency of this Certificate or of any 2018-19 TRANs or as to the security afforded by the Resolution or this Certificate, and the Paying Agent shall incur no liability in respect thereof.

Section 602. Evidence on Which Paying Agent May Act.

1. In case at any time it shall be necessary or desirable for the Paying Agent to make any investigation respecting any fact preparatory to taking or not taking any action, or doing or not doing anything, as Paying Agent, and in any case in which this Certificate provides for permitting or taking any action, it may rely upon any notice, resolution, request, consent, order, waiver, statement, certificate, report, opinion, bond or other paper or document to be furnished to it under the provisions of this Certificate, and any such instrument shall be evidence of such fact to protect it in any action that it may or may not take, or in respect of anything it may or may not do, acting reasonably and in good faith, by reason of the supposed existence of such fact.

2. The Paying Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Certificate, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person, or to have been prepared and furnished pursuant to any of the provisions of this Certificate or at the sole cost and expense of the County with the prior written consent of the County, and when determined necessary in the reasonable discretion of the Paying Agent, as the case may be, upon the written opinion of any attorney (who may be an attorney for the County or an employee of the County) believed by the Paying Agent, to be qualified in relation to the subject matter.

Section 603. Compensation.

1. The County shall pay to the Paying Agent from time to time such compensation as may be agreed upon in writing by the County and the Paying Agent for all services rendered under this Certificate.

2. To the extent permitted by law and approved by the Treasurer, the County may indemnify the Paying Agent and hold it harmless, against any loss, liability or reasonable expense (including the costs and expenses of its counsel and of investigating and defending against any claim of liability) arising out of or in connection with its acting as Paying Agent under this Certificate; *provided, however,* that the Paying Agent shall not be indemnified for or held harmless against any such loss, liability or expense resulting from its negligence, willful misconduct or bad faith. The provision of this paragraph 2 shall remain in full force and effect notwithstanding the resignation or removal of the Paying Agent or the termination of this Certificate.

3. Nothing in this Certificate shall require or obligate the Paying Agent to advance, expend or risk its own funds or otherwise to incur any personal financial liability in the performance or exercise of any of its duties or rights hereunder and the Paying Agent shall be fully justified and protected in taking or refusing to take any action under this Certificate or the 2018-19 TRANs unless it shall first be indemnified against any and all liability and expense which may be incurred by it by reason of such taking or refusing to take any such action (other than any liability or expense resulting from its negligence, willful misconduct or bad faith). Notwithstanding the foregoing, the Paying Agent shall not require indemnification prior to the

making, when due, of any payment required at the respective Maturity Dates of the 2018-19 TRANs.

Section 604. Ownership of the 2018-19 TRANs Permitted. Subject to Section 305, the Paying Agent may become the Holder of any 2018-19 TRANs.

Section 605. Resignation or Removal of Paying Agent and Appointment of Successor. The Paying Agent may at any time resign and be discharged of the duties and obligations created by this Certificate by giving at least 60 days' prior written notice to the County. The Paying Agent may be removed at any time with or without cause by an instrument filed with the Paying Agent and signed by the County. A successor Paying Agent may be appointed by the County and shall be a commercial bank with trust powers or a trust company organized under the laws of any state of the United States or a national banking association, having capital and surplus aggregating at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Certificate. For purposes of this Section, a commercial bank with trust powers or a trust company shall be deemed to have capital and surplus aggregating at least $100,000,000 if it is a wholly-owned subsidiary of a corporation having capital and surplus aggregating at least $100,000,000 and such corporation provides a written guaranty, in form and substance satisfactory to the County, of the performance by the bank or trust company of its obligations as Paying Agent hereunder. Such Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the County a written acceptance thereof. Resignation or removal of the Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.

In the event of the resignation or removal of the Paying Agent, the Paying Agent shall pay over, assign and deliver any moneys held by it to its successor. In no event shall the resignation or removal of the Paying Agent become effective prior to the assumption of the resigning or removed Paying Agent's duties and obligations by a successor Paying Agent.

Section 606. References to Paying Agent. References in this Article VI to a Paying Agent shall be deemed to be references to any Paying Agent other than the Treasurer.

ARTICLE VII

SUPPLEMENTAL RESOLUTIONS AND CERTIFICATES

Section 701. Supplemental Resolutions and Certificates Effective Without Consent of Holders. A Supplemental Resolution of the County may be adopted, or a Supplemental Certificate may be executed, for any one or more of the following purposes, which, without the requirement of consent of Holders, shall be fully effective in accordance with its terms:

(a) to add to the covenants and agreements of the County in the Resolution or this Certificate, as the case may be, other covenants and agreements to be observed by the County that are not contrary to or inconsistent with the Resolution or this Certificate as theretofore in effect;

(b) to add to the limitations and restrictions in the Resolution or this Certificate as the case may be, other limitations and restrictions to be observed by the County that are not contrary to or inconsistent with the Resolution or this Certificate as theretofore in effect;

(c) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution or this Certificate, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under the Resolution or this Certificate;

(d) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or this Certificate, as the case may be, as theretofore in effect;

(e) to supplement or amend the Resolution or this Certificate, as the case may be, in any other respect as required to maintain a rating for the 2018-19 TRANs, or any portion thereof, from any Rating Agency; *provided*, that the County first obtains an Opinion of Bond Counsel to the effect that such Supplemental Resolution or Supplemental Certificate does not adversely affect the interests of the Holders; and

(f) to supplement or amend the Resolution or this Certificate, as the case may be, in any other respect; *provided*, that the County first obtains an Opinion of Bond Counsel to the effect that such Supplemental Resolution or Supplemental Certificate does not adversely affect the interests of the Holders.

Section 702. Supplemental Certificate. Except as provided in Section 701, any amendment of or supplement to this Certificate and of the rights and obligations of the County and of the Holders of the 2018-19 TRANs under this Certificate, in any particular, may be made by a Supplemental Certificate and with the written consent of the Holders of at least a majority in principal amount of the 2018-19 TRANs Outstanding at the time such consent is given; provided, however, that if such supplement or amendment will, by its terms, not take effect so long as any 2018-19 TRANs remain Outstanding, the consent of the Holders shall not be required. No such supplement or amendment shall permit a change in the terms of maturity of the principal of any 2018-19 TRANs or of the then applicable interest rate thereon or a reduction in the principal amount thereof, or shall change the dates or amounts of the pledges set forth in Section 402, or shall reduce the percentage of Holders required to approve any such Supplemental Certificate, without the consent of all of the Holders of affected 2018-19 TRANs nor shall any such supplement or amendment change or modify any of the rights or obligations of any Paying Agent, if applicable, without its written consent thereto. The County shall provide the Rating Agencies notice of any Supplemental Certificate or Supplemental Resolution.

ARTICLE VIII

MISCELLANEOUS

Section 801. Moneys Held in Trust for One Year. Anything in this Certificate to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any of the

2018-19 TRANs that remain unclaimed for a period of one year after the date when such 2018-19 TRANs have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such 2018-19 TRANs became due and payable, shall be repaid to the County, as its absolute property and free from trust, and the Holders shall thereafter look only to the County for the payment of such 2018-19 TRANs from lawfully available funds; provided, however, that before any such payment is made to the County, the County shall create (and shall thereafter maintain until payment of all of the 2018-19 TRANs) a record of the amount so repaid, and the County shall cause to be published at least twice, at any interval of not less than seven days between publications, in the Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County.

IN WITNESS WHEREOF, I have set my hand onto this Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2018-19 Tax and Revenue Anticipation Notes on this 2nd day of July, 2018.

COUNTY OF LOS ANGELES,
CALIFORNIA

By: ______________________________
JOSEPH KELLY
Treasurer and Tax Collector

[Signature Page to Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes]

EXHIBIT I

[FORM OF 2018-19 TRANS]

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
2018-19 TAX AND REVENUE ANTICIPATION NOTE

Interest Rate	Dated Date	Maturity Date	CUSIP Number
___%	July 2, 2018	June 28, 2019	544657___

Registered Owner: Cede & Co.

Principal Amount: [AMOUNT]

The County of Los Angeles, a political subdivision of the State of California (herein called the **"County"**), acknowledges itself indebted to, and for value received hereby promises to pay to, the Registered Owner hereof, or registered assigns, on the Maturity Date specified above, upon presentation and surrender of this note at the Principal Office of the Treasurer and Tax Collector of the County, as Paying Agent (the **"Paying Agent"**), or at the Principal Office of any successor Paying Agent, in lawful money of the United States of America, the Principal Amount specified above, together with interest thereon from the Dated Date specified above at the Interest Rate per annum specified above. Interest on this Note shall accrue from the Dated Date set forth above and shall be computed on the basis of a 360-day year comprised of 12 months of 30 days each payable at maturity.

This Note is one of a duly authorized issue of notes of the County designated as its "County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes" (herein called the **"Notes"**), issued in an aggregate principal amount of $700,000,000 under and in full compliance with the Constitution and statutes of the State of California, particularly Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code being Sections 53850 to 53858, inclusive, as amended (the **"Act"**) and under and pursuant to the resolution of the Board of Supervisors of the County, adopted May 15, 2018, entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2018-19 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $700,000,000" (such resolution, as the same may be amended or supplemented from time to time, is herein called the "Resolution"), and is issued on the terms and conditions set forth in the Financing Certificate, dated July 2, 2018, entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes" (such Certificate, as the same may be amended or supplemented from time to time, is herein called the "Certificate"). Capitalized terms used and not otherwise defined shall have the meanings given such terms in the Certificate. Copies of the Resolution and the Certificate are on file at the office of the Executive Officer-Clerk of the Board of Supervisors, and reference to the Resolution and any and all supplements thereto and modifications and amendments thereof, to the Certificate and any and all supplements thereto and modifications and amendments thereof, and to the Act is made for a complete statement of such terms and conditions.

Subject to the provisions of the Resolution and the Financing Certificate permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Notes and the interest thereon are secured by a pledge by the County of certain taxes, income, revenue, cash receipts and other moneys of the County attributable solely to the County's Fiscal Year 2018-19. In accordance with California law, the Notes are payable solely from taxes, income, revenue, cash receipts and other moneys of the County attributable to Fiscal Year 2018-19, and, to the extent not paid from taxes, income, revenue, cash receipts and other moneys of the County pledged for the repayment thereof, shall be paid with the interest thereon from other moneys of the County lawfully available therefor.

This Note is transferable, as provided in the Certificate, only upon a register to be kept for that purpose at the office of the Note Registrar by the Registered Owner hereof in person or by such owner's duly authorized attorney, upon surrender of this Note together with a written instrument of transfer satisfactory to the Note Registrar duly executed by the Registered Owner or such owner's duly authorized attorney, and thereupon a new fully registered note or notes of the same series, maturity and aggregate Principal Amount will be issued to the transferee in exchange therefor as provided in the Certificate upon payment of the charges therein prescribed. The County and the Note Registrar shall treat the person in whose name this Note is registered as the absolute owner hereof for all purposes whether or not this Note shall be overdue, and the County and the Note Registrar shall not be affected by any notice to the contrary.

The Notes may not be exchanged for other Notes except as provided in the Certificate.

To the extent and in the manner permitted by the terms of the Resolution, the provisions of the Resolution and the Certificate, or any supplemental resolution amending the Resolution and the Certificate, may be amended by the County; provided, however, that no such amendment shall permit a change in the terms of maturity, the principal of any Note or of the then prevailing interest thereon or a reduction in the principal amount thereof without the consent of the owners of such Notes or shall reduce the percentage of Notes the consent of the owners of which is required to effect any such amendment or change the dates or amounts of the pledges set forth in the Resolution.

It is hereby certified and recited that all conditions, acts and things required by the Act, the Resolution and the Certificate to exist, to have happened and to have been performed precedent to and during the issuance of the Notes, do exist, have happened and have been performed, in due time, form and manner, as required by the Act, the Resolution and the Certificate, and that the Notes, together with all other indebtedness of the County, are within every debt and other limit prescribed by the laws of the State of California.

Unless this Note is presented by an authorized representative of The Depository Trust Company to the Note Registrar for registration of transfer or exchange or to the Paying Agent for payment, and any Note issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, THE COUNTY OF LOS ANGELES has caused this Note to be signed in its name and on its behalf by the manual or facsimile signature of the Chair of the Board of Supervisors of the County and the Executive Officer-Clerk of the Board of Supervisors and its seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced, as of the Dated Date set forth above.

(SEAL)

COUNTY OF LOS ANGELES

By: ______________________________
SHEILA KUEHL
Chair

By: ______________________________
CELIA ZAVALA
Acting Executive Officer-Clerk of
the Board of Supervisors

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes delivered pursuant to the within-mentioned Resolution.

DATED: July 2, 2018

TREASURER AND TAX COLLECTOR OF THE COUNTY OF LOS ANGELES,
as Paying Agent

By: ______________________________
JOSEPH KELLY
Treasurer and Tax Collector

[FORM OF ASSIGNMENT]

For value received ______________________________ hereby sell(s), assign(s) and transfer(s) unto __________________________ the within Note and hereby irrevocably constitute(s) and appoint(s) __________________________ attorney, to transfer the same on the Note Register of the Paying Agent, with full power of substitution in the premises.

Dated: _____________________

Signature of Registered Owners: ___

Signature Guaranteed by: ___

Note: The signature on this Assignment must correspond with the name as written on the face of the within note in every particular, without alteration or enlargement or any change whatsoever and must be guaranteed by a commercial bank, trust company, or a member firm of the New York Stock Exchange.

$[PRINCIPAL AMOUNT]
COUNTY OF LOS ANGELES
2018-19 TAX AND REVENUE ANTICIPATION NOTES

CONTRACT OF PURCHASE

[Sale Date]

Board of Supervisors
County of Los Angeles
Los Angeles, California

Honorable Members of the Board of Supervisors:

The undersigned, Goldman Sachs & Co. LLC (the "Representative"), on behalf of itself and the underwriters appointed by the County of Los Angeles (the "County") and listed on Appendix I hereto (the Representative and such other underwriters being collectively referred to herein as the "Underwriters"), offers to enter into this Contract of Purchase (the "Contract of Purchase") with the County which, upon the County's written acceptance of this offer, will be binding upon the County and upon the Underwriters. This offer is made subject to the County's written acceptance hereof on or before 5:00 p.m., Los Angeles time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered to the County at any time prior to the acceptance hereof by the County.

SECTION 1. <u>Purchase and Sale of the Notes</u>. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters agree to purchase from the County, and the County agrees to sell and deliver to the Underwriters, all, but not less than all, of the County's $[PRINCIPAL AMOUNT] in aggregate principal amount of 2018-19 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on May [15], 2018 and entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $700,000,000" (the "Resolution") and subject to the terms and conditions set forth in the Financing Certificate of the Treasurer and Tax Collector of the County (the "Treasurer") entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes" (the "Financing Certificate").

The Notes shall be dated July 2, 2018, mature on June 28, 2019 and bear interest at ___% per annum.

The purchase price for the Notes shall be $[PURCHASE PRICE] (representing the principal amount of the Notes of $[PRINCIPAL AMOUNT], plus original issue premium of $[PREMIUM], less Underwriters' discount of $[DISCOUNT]).

The Preliminary Official Statement of the County, dated [POS Date], including the cover page and Appendices thereto, relating to the Notes (together with any documents incorporated therein by reference and as disseminated in its printed physical form or in electronic form materially consistent with such physical form, the "Preliminary Official Statement"), as amended to conform to the terms of this Contract of Purchase and exclusive of such changes and amendments subsequent to the date hereof as may be mutually agreed to in accordance with Section 5(b)(iii) hereof is hereinafter called the "Official Statement."

In connection with the issuance of the Notes, the County is also executing a Disclosure Certificate dated July 2, 2018 (the "Disclosure Certificate").

SECTION 2. <u>The Notes and the Official Statement</u>.

(a) The Notes shall be as described in the Financing Certificate and shall be issued and secured under and pursuant to the provisions of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code of the State of California (the "Act") and the Resolution.

(b) On or prior to the date of mailing or electronic distribution of the Preliminary Official Statement by the Underwriters, the County shall have delivered to the Representative a certificate pursuant to which the Treasurer or his authorized representative certifies on behalf of the County that such Preliminary Official Statement is deemed final by the County as of the date thereof, except for the omission of such information which is permitted to be excluded by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12").

(c) Unless otherwise notified in writing by the Representative, the "end of the underwriting period" for purposes of Rule 15c2-12 shall be the date of Closing (as hereinafter defined).

SECTION 3. <u>Sale to Underwriters; Certain Agreements of the Underwriters</u>.

(a) It shall be a condition to the County's obligations to sell and deliver the Notes to the Underwriters and to the Underwriters' obligations to purchase, to accept delivery of and to pay for the Notes that the entire aggregate principal amount of the Notes shall be issued, sold and delivered by the County and purchased, accepted and paid for by the Underwriters at the Closing. The Underwriters agree to make a bona fide public offering of all the Notes at prices not in excess of the initial offering prices or yields set forth on the cover page of the Official Statement, plus interest accrued thereon (if any) from the date of the Notes. Subsequent to such initial public offering, the Underwriters reserve the right to change such initial public offering prices or yields as they deem necessary in connection with the marketing of the Notes.

(b) The Underwriters agree as follows:

(i) To file, on or before the date of Closing, a copy of the Official Statement, including any supplements thereto, with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system; and

(ii) to take any and all other actions necessary to comply with rules of the U.S. Securities and Exchange Commission and Municipal Securities Rulemaking Board which are applicable to the Underwriters governing the offering, sale and delivery of the Notes to the ultimate purchasers.

SECTION 4. Establishment of Issue Price.

(a) The Representative, on behalf of the Underwriters, agrees to assist the County in establishing the issue price of the Notes and shall execute and deliver at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, as may be appropriate or necessary, in the reasonable judgment of the Representative, the County and Squire Patton Boggs (US) LLP, Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Notes.

(b) [To be revised if multiple maturities] Except as otherwise set forth in Appendix II attached hereto, the County will treat the first price at which 10% of the Notes (the "10% test") is sold to the public as the issue price of the Notes. At or promptly after the execution of this Purchase Contract, the Representative shall report to the County the price at which the Underwriters have sold the Notes to the public. If at that time the 10% test has not been satisfied, the Representative agrees to promptly report to the County the price at which it sells the unsold Notes to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Notes or until all Notes have been sold to the public.

(c) The Representative confirms that the Underwriters have offered the Notes to the public on or before the date of this Purchase Contract at the offering price (the "initial offering price"), or at the corresponding yield, set forth in Appendix II attached hereto, except as otherwise set forth therein. Appendix II also sets forth, as of the date of this Purchase Contract, whether the 10% test has been satisfied and whether, as agreed to by the County and the Representative, on behalf of the Underwriters, the restrictions set forth in the next sentence shall apply, which will allow the County to treat the initial offering price to the public of the Notes as of the sale date as the issue price of the Notes (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to the Notes, the Underwriters will neither offer nor sell unsold Notes to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(i) the close of the fifth (5th) business day after the sale date; or

(ii) the date on which the Underwriters have sold at least 10% of the Notes to the public at a price that is no higher than the initial offering price to the public.

(d) The Representative shall promptly advise the County when the Underwriters have sold 10% of the Notes to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) The County acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Notes.

(f) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and any retail distribution agreement relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the Representative that either the 10% test has been satisfied or all Notes have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied or all Notes of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires.

(g) The Underwriters acknowledge that sales of any Notes to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the public),

(iii) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date of execution of this Purchase Contract by all parties.

SECTION 5. Use of Documents; Certain Covenants and Agreements of the County.

(a) The County authorizes the use by the Underwriters of the Resolution, the Financing Certificate and the Official Statement, including any supplements or amendments thereto, and the information therein contained in connection with the public offering and sale of the Notes. The County ratifies and confirms the use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Notes;

(b) The County covenants and agrees:

(i) To cause to be made available to the Underwriters such quantities of the Official Statement (in a "designated electronic format" (as defined in MSRB Rule G-32)) as the Underwriters may request for use in connection with the offering and sale of the Notes, without charge, within seven (7) business days of the date hereof and, in the event the date of Closing is less than seven (7) business days after the date hereof, upon request of the Representative, in sufficient time to accompany any confirmation requesting payment from any customers of any Underwriter and not later than three (3) business days prior to Closing; provided, however, that in the event that the date of Closing is less than seven (7) business days after the date hereof the failure of the County to comply with this clause (i) due to any circumstance outside of the control of the County shall not constitute cause for a failure of or refusal by the Underwriters to accept delivery of, or pay for, the Notes;

(ii) To apply the proceeds from the sale of the Notes as provided in the Resolution and the Financing Certificate, subject to all of the terms and provisions of the Resolution and the Financing Certificate, and not knowingly to take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Notes, in that the County agrees to comply with the provisions of the Tax Certificate executed by the County at the time of delivery of the Notes;

(iii) If, after the date of this Contract of Purchase and until the earlier of (A) twenty-five (25) days after the "end of the underwriting period" (as defined in Rule l5c2-12) or (B) ninety (90) days after the Closing, any event shall occur as a result of which it is necessary to amend or supplement the Official Statement in the opinion of the County or the Representative so that it does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Official Statement is delivered to a purchaser, not misleading, or if it is necessary to amend or supplement the Official Statement to comply with applicable law, to notify the Representative (and for the purposes of this clause (iii) to provide the Underwriters with such information as they may from time to time request), and to forthwith prepare and furnish, at its own expense (in a form and manner approved by the Representative), a reasonable number of copies of either amendments or supplements to the Official Statement so that the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Official Statement as so amended and supplemented is delivered to a purchaser, not misleading or so that the Official Statement as so amended and supplemented will comply with all applicable laws;

(iv) To furnish such information and execute such instruments and take such action in cooperation with the Representative as the Representative may reasonably request (A) to (a) qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Representative may designate and (b) determine the eligibility of the Notes for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Notes; provided, however, that the County will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state;

(v) To advise the Representative immediately of receipt by the County of any notification with respect to the suspension of the qualification of the Notes for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose; and

(vi) To furnish to the Representative, from time to time, any additional information as the Representative may reasonably request.

SECTION 6. <u>Representations and Warranties of the County</u>. The County represents and warrants to each of the Underwriters, as of the date hereof, as follows:

(a) The County is a political subdivision duly created and validly existing under the Constitution and the laws of the State of California (the "State"), and has full legal right, power and authority, and at the date of the Closing will have full legal right, power and authority (i) to enter into this Contract of Purchase, to execute the Certificate and to adopt the Resolution, (ii) to sell, issue and deliver the Notes to the Underwriters as provided herein, and (iii) to carry out and consummate the transactions contemplated by this Contract of Purchase, the Resolution, the Certificate, the Disclosure Certificate and the Official Statement; and the County has complied, and will at the Closing be in compliance in all respects, with the terms of the Act and the Resolution as they pertain to such transactions;

(b) By all necessary official action of the County prior to or concurrently with the acceptance hereof, the County has duly adopted the Resolution, has duly authorized and approved the execution and delivery of, and the performance by the County of the obligations on its part contained in, the Notes, this Contract of Purchase, the Resolution, the Certificate, the Disclosure Certificate and the consummation by it of all other transactions contemplated by the Official Statement, the Resolution, the Certificate, the Disclosure Certificate and this Contract of Purchase; the Resolution, the Certificate, the Disclosure Certificate and this Contract of Purchase, assuming due authorization, execution and delivery by the other parties thereto, constitute, or will constitute at Closing, legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights and the application of general principles of equity if equitable remedies are sought; the Notes, when issued, authenticated and delivered to the

Underwriters in accordance with the Resolution, the Certificate and this Contract of Purchase will constitute legal, valid and binding general obligations of the County entitled to the benefits of, and payable from sources specified in, the Resolution and the Certificate and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights and the application of the general principles of equity if equitable remedies are sought; upon the issuance, authentication and delivery of the Notes, the Resolution will provide, for the benefit of the registered owners from time to time of the Notes, the legal, valid and binding pledge of and lien on the Pledged Moneys (as defined in the Certificate) it purports to create, subject only to the provisions of the Resolution and the Certificate permitting the application thereof on the terms and conditions set forth in the Resolution and the Certificate;

(c) To the best knowledge of the County, the County is not in material breach of or default under any loan agreement, indenture, bond or note, or other instrument evidencing any indebtedness or other material financial obligation of the County to which the County is a party, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a material default or event of default by the County under any such instrument; and the execution and delivery of the Notes, the Financing Certificate and this Contract of Purchase and the adoption of the Resolution and compliance with the provisions on the County's part contained therein, will not in any material respect conflict with or constitute a breach or default under any State constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, ordinance, resolution, agreement or other instrument to which the County is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the County or under the terms of any such law, regulation or instrument, except as provided by the Notes, the Financing Certificates and the Resolution;

(d) All authorizations, approvals, licenses, permits, consents and orders of any State governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the County of its obligations under, this Contract of Purchase, the Resolution, the Financing Certificate and the Notes have been duly obtained, except for such approvals, consents and orders as are stated in the Official Statement as yet to be obtained or as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Notes;

(e) The Notes conform to the description thereof contained in the Official Statement under the caption "THE NOTES," the Resolution and the Financing Certificate conform to the descriptions thereof contained in the Official Statement under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE" and the proceeds of the sale of the Notes will be applied generally as described in the Official Statement under the caption "THE NOTES - Purpose of Issue";

(f) To the best knowledge of the County, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending in which service of process has been completed, or threatened against the County, affecting the corporate existence of the County or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Notes or the pledge of and lien on the Pledged Moneys of the County pursuant to the Resolution or in any way contesting or affecting the validity or enforceability of the Notes, the Resolution, this Contract of

Purchase and the Financing Certificate, or contesting the exclusion from gross income of interest on the Notes for federal income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereof, or contesting the powers of the County or any authority for the issuance of the Notes, the adoption of the Resolution or the execution and delivery of this Contract of Purchase and the Financing Certificate, nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Notes, the Resolution, the Financing Certificate or this Contract of Purchase;

(g) As of the date thereof, the Preliminary Official Statement (excluding any information relating to The Depository Trust Company, New York, New York ("DTC") and information under the caption "UNDERWRITING") did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) At the time of the County's acceptance hereof and (unless an event occurs of the nature described in clause (iii) of Section 5(b) above) at all times subsequent thereto during the period up to and including the earlier of (A) twenty-five (25) days subsequent to the "end of the underwriting period" or (B) ninety (90) days after the Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) If the Official Statement is supplemented or amended pursuant to clause (iii) of Section 5(b) above, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the earlier of (A) twenty-five (25) days subsequent to the "end of the underwriting period" or (B) ninety (90) days after the Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) The financial statements of, and other financial information regarding, the County in the Official Statement fairly present the financial position and results of the operations of the County as of the dates and for the periods therein set forth and (i) except as noted under the heading "Notes to the Basic Financial Statements" in Appendix B to the Official Statement, the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied, and (ii) the other financial information with respect to the County has been determined on a basis substantially consistent with that of the County's audited financial statements included in the Official Statement; and

(k) The County has not failed to comply in the last five years, in any material respect, with any continuing disclosure undertaking entered into pursuant to Rule 15c2-12.

SECTION 7. Closing.

(a) At 8:00 a.m., Los Angeles time, on July 2, 2018, or at such other time and date as shall have been mutually agreed upon by the County and the Representative, the County will, subject to the terms and conditions hereof, deliver the Notes to the Representative duly executed and authenticated, together with the other documents hereinafter mentioned, and the Representative will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Notes as set forth in Section 1 hereof by Federal Reserve wire of immediately available funds payable to the order of the County. Such delivery of and payment for the Notes is referred to herein as the "Closing."

(b) Delivery of the Notes shall be made at, or, in accordance with the operating procedures thereof through, DTC. The Notes shall be delivered in fully registered form, without coupons, bearing CUSIP number(s) and registered in the name of Cede & Co. and shall be made available to the Representative at least one (1) business day before the Closing for purposes of inspection. Notwithstanding the foregoing, neither the failure to print CUSIP numbers on any Note nor any error with respect thereto shall constitute cause for failure or refusal by the Underwriters to accept delivery of and pay for the Notes on the date of Closing in accordance with the terms of this Contract of Purchase.

SECTION 8. <u>Closing Conditions</u>. The Representative has entered into this Contract of Purchase on behalf of itself and the other Underwriters in reliance upon the representations, warranties and agreements of the County contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the County of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriters' obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the Notes shall be conditioned upon the performance by the County of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the County contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of the Closing, the Resolution and the Financing Certificate shall be in full force and effect and shall not have been amended, modified or supplemented; and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Representative in accordance with Section 5(b)(iii) hereof;

(c) At the time of the Closing, all official action of the County relating to this Contract of Purchase, the Resolution, the Financing Certificate and the Notes, shall be in full force and effect and shall not have been amended, modified or supplemented, and the Representative shall have received, in appropriate form, evidence thereof;

(d) At the time of the Closing, there shall not have occurred any material change to the condition, financial or otherwise, or in the earnings or operations of the County, nor shall the Board of Supervisors or the Legislature of the State of California have taken official action that would prospectively result in a change in the condition, financial or otherwise, or in the earnings or operations of the County from that set forth in the Official Statement that shall have a material and adverse effect and that makes it, in the reasonable judgment of the Representative, impracticable to market the Notes on the terms and in the manner contemplated in the Official Statement; and

(e) At or prior to the Closing, the Representative shall have received copies of each of the following documents:

(i) The Official Statement, and each supplement or amendment, if any, thereto;

(ii) A certified copy of the Resolution and an original of the Financing Certificate, each having been duly adopted by the Board of Supervisors or executed by the County and as being in full force and effect, with such supplements or amendments as may have been agreed to by the Representative acting in good faith;

(iii) An approving opinion, dated the date of Closing, of Squire Patton Boggs (US) LLP, Bond Counsel, addressed to the County and on which the Underwriters may rely, substantially in the form attached to the Official Statement as Appendix C;

(iv) A supplemental opinion of Bond Counsel, addressed to the County and the Representative, dated the date of Closing, in substantially the form of Exhibit B hereto;

(v) An opinion, dated the date of Closing, of County Counsel, as counsel to the County and addressed to the Representative, in substantially the form of Exhibit C hereto;

(vi) An opinion, dated the date of Closing, of Hawkins Delafield & Wood LLP, counsel for the Underwriters, addressed to the Representative, in substantially the form of Exhibit D hereto;

(vii) Evidence satisfactory to the Underwriters that the Notes shall have been rated not less than "__" by Moody's Investors Service ("Moody's"), "__" by Standard & Poor's, a Standard & Poor's Ratings Service ("S&P"), and "__" by Fitch Ratings ("Fitch"), and that none of such ratings has been revoked, suspended or downgraded;

(viii) A Tax Exemption Certificate of the County, in form satisfactory to Bond Counsel, signed by an authorized officer or designee of the County;

(ix) A certificate of the County in substantially the form of Exhibit A hereto;

(x) Evidence that the federal tax information return Form 8038-G has been prepared;

(xi) Evidence of required filings with the California Debt and Investment Advisory Commission;

(xii) Executed copies of the Disclosure Certificate;

(xiii) a preliminary Blue Sky Survey and final Blue Sky Memorandum with respect to the Notes; and

(xiv) Such additional legal opinions, certificates, instruments and other documents as Bond Counsel, the Representative or counsel to the Underwriters may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the County's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the County on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the County.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Contract of Purchase shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative.

If the County shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Notes contained in this Contract of Purchase, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Notes shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase shall terminate and neither the Underwriters nor the County shall be under any further obligation hereunder, except that the respective obligations of the County and the Underwriters set forth in Section 10 hereof shall continue in full force and effect.

SECTION 9. Termination. The Representative shall have the right to terminate in its reasonable judgment the Underwriters' obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the Notes by notifying the County of its election to do so if, after the execution hereof and prior to the Closing, any one of the following shall occur:

(a) legislation shall be enacted by the Congress of the United States or favorably reported out for passage to either House of Congress by any committee of such House, or passed by either House of Congress, or a decision shall have been rendered by a court of the United States or the United States Tax Court, or a ruling shall have been made or a regulation shall have been proposed or made by the Treasury Department of the United States or the Internal Revenue Service, with respect to the federal taxation of interest received on or evidenced by obligations of the general character of the Notes, which, in the opinion of Bond Counsel has, or will have, the effect of making such interest subject to inclusion in gross income for purposes of federal income taxation, except to the extent such interest is intended to be includable in such gross income as of the date hereof;

(b) any action shall have been taken by the U.S. Securities and Exchange Commission or by a court which would require registration of any security under the Securities Act of 1933, as amended, or qualification of the Financing Certificate under the Trust Indenture Act of 1939, as amended, in connection with the public offering of the Notes, or any action shall have been taken by any court or by any government authority suspending the use of the Official Statement or any amendment or supplement thereto, or any proceeding for that purpose shall have been initiated or threatened in any such court or by any such authority;

(c) (i) the Constitution of the State shall be amended or an amendment shall qualify for the ballot, or (ii) legislation shall be enacted, or (iii) a decision shall have been rendered as to matters of State law, or (iv) any order, ruling or regulation shall have been issued or proposed by or on behalf of the State by an official, agency or department thereof, affecting the tax status of the County, its property or income, its notes or bonds (including the Notes) or the interest thereon, which in the reasonable judgment of the Representative materially and adversely affect the market price or marketability of the Notes or the ability of the Underwriters to enforce contracts for the sale of the Notes;

(d) (i) trading of any securities representing direct obligations of the County shall have been suspended on any exchange or in any over-the-counter market, or (ii) a general banking moratorium by Federal, New York or California authorities or a general suspension of trading on any national securities exchange shall have been declared or a material disruption in commercial banking or securities settlement or clearances services affecting the Notes shall have occurred, or (iii) a national emergency or war or other crisis shall have been declared by the United States or there shall have occurred any outbreak or escalation of major military hostilities by the United States or any calamity relating to the effective operation of the government or the financial community in the United States which, in the case of any of the events specified in clauses (i) through (iii), either singly or together with any other such event, in the reasonable judgment of the Representative, materially and adversely affects the market price or marketability of the Notes or the ability of the Underwriters to enforce contracts for the sale of the Notes;

(e) there shall have occurred any downgrading, or any notice shall have been given of any downgrading, in the rating accorded the Notes by any of Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Service ("S&P") or Fitch Ratings ("Fitch"); or

(f) the New York Stock Exchange or other national securities exchange, or any governmental authority shall have: (i) imposed additional material restrictions not in force as of the date hereof with respect to trading in the Notes; or (ii) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers, which, in the case any of the events specified in clauses (i) or (ii), either singly or together with any other such event, makes it, in the reasonable judgment of the Representative, impracticable to market the Notes on the terms and in the manner contemplated in the Official Statement, including any supplements or amendments thereto; or

(g) the purchase of and payment for the Notes by the Underwriters, or the resale of the Notes by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission; or

(h) any event or circumstance shall exist that either makes untrue or incorrect in any material respect any statement or information in the Official Statement (other than any statement provided by the Underwriters or pertaining to DTC) or is not reflected in the Official Statement but should be reflected therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in either such event, the County refuses a reasonable request to supplement the Official Statement to supply such statement or information or the effect of the amendment to the Official Statement is to materially and adversely affect the market price or marketability of the Notes or the ability of the Underwriters to enforce contracts for the sale of the Notes.

SECTION 10. <u>Expenses</u>.

(a) The Underwriters shall be under no obligation to pay, and the County shall pay, any expenses incident to the performance of the County's obligations hereunder, including, but not limited to (i) the cost of preparation, printing and delivery of the Preliminary Official Statement and the Official Statement; (ii) the cost of preparation and printing of the Notes; (iii) the fees and disbursements of Bond Counsel; (iv) the fees and disbursements of any other experts, consultants or advisers retained by the County; and (v) the fees, if any, for ratings.

(b) The Underwriters shall pay (i) the fees and disbursements of counsel retained by the Representative, including such costs related to the preparation and printing of this Contract of Purchase and the reasonable cost of preparation and printing or duplication of any Blue Sky Survey relating to the Notes; (ii) costs related to on-line securities platforms, CUSIP subscription and DTC fees; (iii) out-of-pocket and miscellaneous costs of the Representative, (iv) all advertising expenses in connection with the public offering of the Notes; (v) all expenses incurred in qualifying the Notes for sale under state securities laws; and (vi) all other expenses incurred by them in connection with the public offering of the Notes. Certain expenses of the Underwriters may be included in the expense component of the Underwriters' discount.

(c) Even if this Contract of Purchase shall be terminated by the Underwriters because of any failure or refusal on the part of the County to comply with the terms or to fulfill any of the conditions of this Contract of Purchase, or if for any reason the County shall be unable to perform its obligations under this Contract of Purchase, the County will not reimburse the Underwriters for expenses incurred in connection with the authorization and marketing of the Notes.

SECTION 11. Notices. Any notice or other communication to be given to the County under this Contract of Purchase may be given by delivering the same in writing to County of Los Angeles, Office of the Treasurer and Tax Collector, 500 West Temple Street, Room 432, Los Angeles, California 90012, Attention: Treasurer and Tax Collector, and any notice or other communication to be given to the Underwriters under this Contract of Purchase may be given by delivering the same in writing to Goldman Sachs & Co. LLC, 2121 Avenue of the Stars Suite 2600, Los Angeles, California 90067, Attention: Timothy Romer.

SECTION 12. Parties in Interest. This Contract of Purchase shall constitute the entire agreement between the County and the Underwriters and is made solely for the benefit of the County and the Underwriters (including successors or assigns of any Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. Any remedy which the Underwriters may have at law or in equity by reason of the breach of any representation or warranty of the County made herein shall not expire upon, nor be limited by, (i) delivery of and payment for the Notes pursuant to this Contract of Purchase, (ii) any investigations made by or on behalf of any of the Underwriters or (iii) termination of this Contract of Purchase; provided, however, that such representations and warranties are made only as of the date of this Contract of Purchase and as of the date of the Closing and are not continuing.

SECTION 13. Effectiveness. This Contract of Purchase shall become effective upon the acceptance hereof by the County and shall be valid and enforceable at the time of such acceptance.

SECTION 14. Choice of Law. This Contract of Purchase shall be governed by and construed in accordance with the law of the State of California applicable to contracts made and performed in such State.

SECTION 15. __Fiduciary Duty__. The County acknowledges and agrees that the purchase and sale of the Notes pursuant to this Contract of Purchase is an arm's-length commercial transaction between the County and the Underwriters and the Underwriters are acting solely as underwriters and principals in connection with the matters contemplated by and all communications under this Contract of Purchase, and are not acting as the agents, fiduciaries, financial advisors or Municipal Advisors (as defined in Section 15B of the Securities Exchange Act of 1934, as amended) of the County and its advisors in connection with the matters contemplated by this Contract of Purchase irrespective of whether the Underwriters or their affiliates have provided other product and services or are currently providing other products or services to the County. In connection with the purchase and sale of the Notes, the County has consulted its own advisors to the extent it deems appropriate.

SECTION 16. __Entire Agreement__. This Contract of Purchase, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Contract of Purchase) that relate to the offering of the Notes, represents the entire agreement between the County and the Underwriters with respect to the preparation of the Official Statement, and the conduct of the offering, and the purchase and sale of the Notes.

SECTION 17. __Representative Capacity__. Any authority, right, discretion or other power conferred upon the Underwriters or the Representative under any provision of this Contract of Purchase may be exercised by the Representative on behalf of the Underwriters, and the County shall be entitled to rely upon any request, notice or statement by the Representative as if the same shall have been given or made by the Underwriters. The Representative represents that it has been duly authorized by the Underwriters to execute this Contract of Purchase and to act hereunder on their behalf and to take such action as it may deem advisable in respect of all matters pertaining to this Contract of Purchase.

SECTION 18. __Severability__. If any provision of this Contract of Purchase shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Contract of Purchase invalid, inoperative or unenforceable to any extent whatever.

SECTION 19. __Business Day__. For purposes of this Contract of Purchase, "business day" means a day other than (i) a Saturday or Sunday or (ii) a day on which commercial banks in Los Angeles, California or New York, New York are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

SECTION 20. __Section Headings__. Section headings have been inserted in this Contract of Purchase as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Contract of Purchase and will not be used in the interpretation of any provisions of this Contract of Purchase.

SECTION 21. <u>Counterparts</u>. This Contract of Purchase may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

Very truly yours,

GOLDMAN SACHS & CO. LLC,
on behalf of itself and the other Underwriters
set forth on Appendix I hereof

By: ____
Authorized Representative

AGREED AND ACCEPTED:

This [Sale Date]

COUNTY OF LOS ANGELES

By:____
Joseph Kelly
Treasurer and Tax Collector

APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

By: _______________________________________
Deputy County Counsel

APPENDIX I

UNDERWRITERS

Goldman Sachs & Co. LLC
J.P. Morgan Securities LLC
[Co-Managers to be added]

APPENDIX II

<u>ISSUE PRICE</u>

EXHIBIT A

FORM OF CERTIFICATE OF THE COUNTY

I, Joseph Kelly, Treasurer and Tax Collector of the County of Los Angeles, California (the "County"), do hereby certify as follows:

(i) I am a duly qualified and acting representative of the County and as such am familiar with the facts herein certified and am authorized and qualified to certify the same;

(ii) I am acting on behalf of the County solely in my official capacity, and not in any personal capacity whatsoever;

(iii) All capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Contract of Purchase relating to the Notes, dated [Sale Date] (the "Contract of Purchase"), by and between the County and Goldman Sachs & Co. LLC, as Representative of the Underwriters named therein;

(iv) To the best of my knowledge, the County's Official Statement dated [Sale Date] (together with all appendices thereto, any documents incorporated therein by reference, and as disseminated in its printed physical form or in electronic form materially consistent with such physical form, but excluding any information relating to The Depository Trust Company, New York, New York and information under the caption "UNDERWRITING", the "Official Statement"), delivered pursuant to the Contract of Purchase, as of its date and as of the date hereof does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) The Notes, together with interest thereon, will be payable from unrestricted taxes, income, revenue, cash receipts and other moneys to be received by or accrued to the County during Fiscal Year 2018-19 that will be available for the payment of the Notes. Pursuant to the Resolution adopted by the Board of Supervisors of the County on May 9, 2017 (the "Resolution") authorizing the issuance and sale of the Notes, the County has pledged as security for the Notes unrestricted taxes, income, revenue, cash receipts and other moneys totaling the aggregate principal amount of the Notes, together with an amount sufficient to pay the interest thereon, subject only to the provisions of the Resolution and the "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes" (the "Financing Certificate"). The amount of taxes, income, revenue, cash receipts and other moneys so pledged to secure the payment of the Notes is specified in the Resolution. Pursuant to the Act, the Resolution creates a valid pledge of and lien on the taxes, income, revenue, cash receipts and other moneys specified therein to pay the Notes and the interest thereon. The Notes are by statute general obligations of the County and, to the extent not paid from the Pledged Moneys (as defined in the Financing Certificate), shall be paid from any other moneys of the County attributable to Fiscal Year 2018-19 and lawfully available therefor;

(vi) The County has complied in all respects with the Act and has complied with and satisfied all the agreements and conditions on its part to be complied with or satisfied at or prior to the date of Closing pursuant to the Contract of Purchase, the Financing Certificate and the Resolution; and

(vii) To the best of my knowledge, since the date of the Official Statement, there has been no material adverse change in the condition, financial or otherwise, of the County.

IN WITNESS WHEREOF, I have hereunto set my hand this 2nd day of July, 2018.

COUNTY OF LOS ANGELES

By:____

Joseph Kelly
Treasurer and Tax Collector

EXHIBIT B

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

July 2, 2018

Goldman Sachs & Co. LLC,
as Representative of the Underwriters
Los Angeles, California

County of Los Angeles
2018-19 Tax and Revenue Anticipation Notes

Ladies and Gentlemen:

This letter is addressed to you, pursuant to Section 8(e)(iv) of the Contract of Purchase, dated [Sale Date] (the "Contract of Purchase"), by and between Goldman Sachs & Co. LLC (the "Representative"), on behalf of itself, J.P. Morgan Securities LLC, [UWs] (collectively, the "Underwriters") and the County of Los Angeles (the "County"), providing for the purchase of $[PRINCIPAL AMOUNT] aggregate principal amount of the County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a resolution of the Board of Supervisors of the County adopted on May [15], 2018 (the "Resolution") and the Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes, dated July 2, 2018, executed by the County (the "Financing Certificate"). Capitalized undefined terms used herein have the meanings ascribed thereto in the Financing Certificate.

We have delivered our final legal opinion (the "Bond Opinion") as bond counsel to the County concerning the validity of the Notes and certain other matters, dated the date hereof and addressed to the County. You may rely on such opinion as though the same were addressed to you.

In connection with our role as bond counsel to the County, we have reviewed the Resolution, the Financing Certificate, the Tax Certificate, the Contract of Purchase, an opinion of County Counsel of the County, certificates of the County and others, and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the third paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Contract of Purchase and its enforceability, may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained therein. Finally, we undertake no responsibility for the accuracy, except as expressly set forth in numbered paragraph 3 below, completeness or fairness of the Official Statement, dated [Sale Date], relating to the Notes (the "Official Statement"), or other offering material relating to the Notes and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution and the Financing Certificate are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Contract of Purchase has been duly executed and delivered by, and constitutes a valid and binding agreement of, the County.

3. The statements contained in the Official Statement under the captions "THE NOTES," "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE" and "TAX MATTERS," excluding any material that may be treated as included under such captions by cross reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the Notes, the Resolution and the Financing Certificate, and the form and content of the Bond Opinion, are accurate in all material respects.

This letter is furnished by us as bond counsel to the County. No attorney-client relationship has existed or exists between our firm and you in connection with the Notes or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as underwriters of the Notes, is solely for your benefit as such underwriters and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Notes or by any other party to whom it is not specifically addressed.

Very truly yours,

EXHIBIT C

FORM OF OPINION OF COUNSEL TO THE COUNTY

July 2, 2018

Goldman Sachs & Co. LLC,
as Representative of the Underwriters
Los Angeles, California

Re: $[PRINCIPAL AMOUNT] County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes

Ladies and Gentlemen:

This opinion is rendered by us as counsel to the County of Los Angeles (the "County") in accordance with the requirements of Section 8(e)(v) of the Contract of Purchase dated [Sale Date] (the "Contract of Purchase"), by and between the County and Goldman Sachs & Co. LLC, on behalf of itself and as representative of the underwriters set forth in the Contract of Purchase (together, the "Underwriters") relating to the Notes, with respect to $[PRINCIPAL AMOUNT] aggregate principal amount of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes (the "Notes").

The Notes are issued pursuant to a resolution of the Board of Supervisors of the County adopted on May [15], 2018 entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $700,000,000" (the "Resolution") and the document entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes," (as referred to in the Resolution, the "Financing Certificate").

In rendering this opinion, we have examined the Resolution, the Financing Certificate, the Contract of Purchase and such other documents, records and instruments and made such investigations of law and fact as we have deemed necessary to render the opinions expressed herein.

Based upon the foregoing, and solely with regard to the laws of the State of California (the "State"), we are of the opinion that:

1. The County is a political subdivision duly organized and validly existing under the Constitution and the laws of the State and has taken all action required to be taken by it to authorize the issuance and delivery of the Notes. The County has full legal right, power and authority to conduct its business, to execute and deliver the Contract of Purchase and the Financing Certificate, to adopt the Resolution, to issue and deliver the Notes to the Underwriters (as named and defined in the Contract of Purchase), and to perform all of its obligations under, and to carry out and effectuate the transactions contemplated by, the Resolution, the Financing Certificate, the Notes and the Contract of Purchase. No authorization, consent, approval, order, filing, registration, qualification, election or referendum, of or by any State person, organization, court or governmental agency or public body whatsoever, which has not been obtained or made, is required for such issuance, execution, delivery or performance or the consummation of the other transactions effected or contemplated in or by the Contract of Purchase or the Financing Certificate by the County, except for such actions may be

necessary to be taken to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of any state or jurisdiction of the United States, as to which no opinion is expressed.

2. The issuance of the Notes and the execution, delivery and performance of the Contract of Purchase, the Financing Certificate, the Resolution and the Notes, and the delivery of the Official Statement of the County dated [Sale Date] relating to the Notes, by the County have been duly authorized, and the issuance of the Notes, the execution, delivery and performance of the Contract of Purchase, the Financing Certificate, the Resolution and the Notes, and compliance with the provisions thereof (a) do not in any material respect conflict with or constitute on the part of the County a violation of or default under the Constitution of the State or any existing State law, charter, ordinance, regulation, decree, order or resolution and do not in any material respect conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the County is a party or by which it is bound or to which it is subject, and (b) do not result in the creation or imposition of any lien or encumbrance, other than as created by the Resolution and the Financing Certificate.

3. The County has duly authorized the consummation by it of all transactions contemplated by the Contract of Purchase and the Financing Certificate.

4. The Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect.

5. Each of the Contract of Purchase and the Financing Certificate was duly authorized, executed and delivered by the County and the Contract of Purchase (assuming due authorization, execution and delivery by the Representative), the Financing Certificate, the Resolution and the Notes constitute legal, valid and binding obligations of the County, enforceable against the County in accordance with their respective terms.

6. To the best of our knowledge, no action, suit, proceeding, inquiry or investigation is pending in which service of process has been completed or threatened against the County: (a) seeking to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of revenues or assets of the County pledged or available to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Notes, the Contract of Purchase, the Financing Certificate or the Resolution, or contesting the powers of the County or its authority with respect to the Notes, the Resolution, the Financing Certificate or the Contract of Purchase; or (b) in which a final adverse decision could (i) materially adversely affect the consummation of the transactions contemplated by the Contract of Purchase, the Financing Certificate or the Resolution, or (ii) declare the Contract of Purchase or the Financing Certificate to be invalid or unenforceable in whole or material part.

With respect to the opinions we have expressed, the enforceability of the rights and obligations under the Contract of Purchase, the Resolution, the Financing Certificate and the Notes may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, by the application of equitable principles, if equitable remedies are sought, and by limitations on legal remedies imposed in actions against counties in the State. We express no opinion as to the availability of equitable remedies in connection with enforcement of the Contract of Purchase, the Resolution, the Financing Certificate or the Notes.

Very truly yours,

By: ___________________________________
MARY C. WICKHAM
County Counsel

EXHIBIT D

FORM OF OPINION OF COUNSEL TO THE UNDERWRITERS

July 2, 2018

Goldman Sachs & Co. LLC
Los Angeles, California
as representative of the Underwriters named in
the Contract of Purchase referred to herein

Ladies and Gentlemen:

In connection with the execution and delivery of the County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes (the "Notes"), which are being delivered to you as representatives of the underwriters (the "Underwriters") today pursuant to the Contract of Purchase dated [Sale Date] (the "Contract of Purchase"), by and between you and the County of Los Angeles (the "County"), we, in our representation of the Underwriters, have examined and relied upon the following:

(a) A resolution adopted by the Board of Supervisors of the County on [May [15], 2018] and entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $700,000,000" (the "Resolution");

(b) The Financing Certificate of the Treasurer and Tax Collector of the County entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes" (the "Financing Certificate");

(c) Executed copies of the opinions of Squire Patton Boggs (US) LLP ("Bond Counsel") delivered to you pursuant to the Contract of Purchase;

(d) An executed copy of the opinion of the County Counsel, delivered to you pursuant to the Contract of Purchase;

(e) A copy of the Preliminary Official Statement relating to the Notes dated [POS Date] (the "Preliminary Official Statement");

(f) An executed copy of the Official Statement related to the Notes dated [Sale Date] (the "Official Statement"); and

(g) Executed copies of the Financing Certificates and other opinions of counsel delivered pursuant to the Contract of Purchase.

In addition, we have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of such other documents, instruments or corporate records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion.

In accordance with our understanding with you, we rendered legal advice and assistance to you in the course of your investigation pertaining to, and your participation in the preparation of, the Preliminary Official Statement and the Official Statement and the issuance and sale of the Notes, and such assistance involved, among other things, discussions and inquiries concerning various legal and related subjects, and reviews of and reports on certain documents and proceedings. We also participated in personal and telephone conferences with your representatives, representatives of the County and Bond Counsel during which the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed and reviewed.

The limitations inherent in the independent verification of factual matters and the character of determinations involved in the preparation of the Preliminary Official Statement and the Official Statement are such, however, that we have necessarily assumed the accuracy, completeness and fairness of and take no responsibility for any of the statements made in the Preliminary Official Statement and the Official Statement. We have also assumed but have not independently verified that the signatures on all documents and certificates that we examined were genuine. Also, we have relied upon a report prepared by a third party provider regarding the County's compliance with its continuing disclosure undertakings.

On the basis of the information developed in the course of the performance of the services referred to above, considered in the light of our understanding of the applicable law and the experience we have gained through our practice thereunder, we are of the opinion, subject to the limitations expressed herein, that as of the date hereof, we have no reason to believe that (i) the Preliminary Official Statement as of its date contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (other than the information under the captions "Tax Matters" and "Book-Entry Only System," and any financial, demographic, economic and statistical information contained in the Preliminary Official Statement and the Official Statement, including as set forth in Appendix A – "The County of Los Angeles Information Statement," as to all of which we express no opinion, and except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended) and (ii) the Official Statement as of its date or as of the date hereof contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (other than the information under the captions "Tax Matters" and "Book-Entry Only System," and any financial, demographic, economic and statistical information contained in the Preliminary Official Statement and the Official Statement, including as set forth in Appendix A – "The County of Los Angeles Information Statement," as to all of which we express no opinion).

In addition, we are of the opinion that the Notes are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

This letter is solely for your benefit as representative of the Underwriters and it is not to be used, circulated, quoted or otherwise referred to for any purpose other than the offering of the securities covered by the Preliminary Official Statement and the Official Statement and may not be relied upon without our express written permission, except that references may be made to it in the Contract of Purchase or in any list of closing documents pertaining to the delivery of the Notes.

Very truly yours,

PRELIMINARY OFFICIAL STATEMENT DATED [POS DATE]

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS:
Moody's: "__"
Standard & Poor's: "__"
Fitch: "__"
(See "RATINGS" herein.)

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Notes is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Notes is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018), and (ii) interest on the Notes is exempt from State of California personal income taxes. Interest on the Notes may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$[PRINCIPAL AMOUNT]*
COUNTY OF LOS ANGELES
2018-19 Tax and Revenue Anticipation Notes
__% Priced to Yield __%
CUSIP† No. 544657___

Dated: July 2, 2018 **Due: June 28, 2019**

The County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes (the "Notes") will be issued in fully registered form. The Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form, in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will bear interest from their dated date at the fixed rate per annum specified above and will be priced as set forth above. Principal of and interest on the Notes are payable on the maturity date thereof directly to DTC by the Paying Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Notes. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM." Pursuant to the herein described Financing Certificate, the County may elect on the date of pricing to issue the Notes in multiple series, with different maturity dates, interest rates, yields and CUSIP numbers.

The Notes are being issued to provide moneys to help meet Fiscal Year 2018-19 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County of Los Angeles (the "County"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on May [15], 2018 (the "Resolution") and a Financing Certificate entitled, "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. In accordance with California law, the Notes are general obligations of the County, payable only from unrestricted taxes, income, revenue, cash receipts and other moneys to be received by or accrue to the County during the Fiscal Year 2018-19 that will be available for the payment of the Notes. The Notes and the interest thereon are secured by a pledge by the County of certain taxes, income, revenue, cash receipts and other moneys of the County attributable solely to the County's Fiscal Year 2018-19. The County is not authorized, however, to levy or collect any tax for the repayment of the Notes. See "THE NOTES – Security for the Notes" herein.

The Notes are not subject to redemption prior to maturity.

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

The Notes will be offered when, as and if issued and received by the Underwriters (herein defined), subject to the approval of legality by Squire Patton Boggs (US) LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the County by County Counsel and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. It is expected that the Notes will be available for delivery through the facilities of DTC on or about July 2, 2018.

Goldman Sachs & Co. LLC **J.P. Morgan**

[Co-Managers to come]

Dated: June __, 2018.

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* Preliminary, subject to change.

† Copyright, 2018. American Bankers Association.

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES

2018-19 TAX AND REVENUE
ANTICIPATION NOTES

BOARD OF SUPERVISORS

Sheila Kuehl
Third District, Chair

Hilda L. Solis
First District

Mark Ridley-Thomas
Second District

Janice Hahn
Fourth District

Kathryn Barger
Fifth District

Celia Zavala
Acting Executive Officer-Clerk
Board of Supervisors

COUNTY OFFICIALS

Sachi A. Hamai
Chief Executive Officer

Mary C. Wickham
County Counsel

Joseph Kelly
Treasurer and Tax Collector

John Naimo
Auditor-Controller

No dealer, broker, salesperson or other person has been authorized by the County or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriters. 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 Notes, by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. 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 a representation of facts.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

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

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

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 and are included solely for the convenience of the registered owners of the applicable Notes. Neither the County nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Notes or as included herein. The CUSIP number for the Notes is subject to being changed after the issuance of the Notes as a result of various subsequent actions.

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COUNTY OF LOS ANGELES
CALIFORNIA

OFFICIAL STATEMENT

$[PRINCIPAL AMOUNT]*
COUNTY OF LOS ANGELES
2018-19 Tax and Revenue Anticipation Notes

INTRODUCTION

General

The purpose of this Official Statement, which includes the front cover and the attached appendices, is to provide certain information concerning the sale and delivery by the County of Los Angeles, California (the "County") of $[PRINCIPAL AMOUNT]* in aggregate principal amount of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes (the "Notes"). The Notes will be issued as fixed rate notes bearing interest at the rate and maturing on the date set forth on the cover page of this Official Statement. Pursuant to the herein described Financing Certificate, the County may elect on the date of pricing to issue the Notes in multiple series, with different maturity dates, interest rates, yields and CUSIP numbers. Issuance of the Notes will provide moneys to help meet Fiscal Year 2018-19 County General Fund expenditures attributable to the General Fund of the County (the "General Fund"), including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"), and a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on May [15], 2018 and entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $700,000,000" (the "Resolution"). The Notes will be issued subject to the terms and conditions of a Financing Certificate of the Treasurer and Tax Collector of the County (the "Treasurer") entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. Pursuant to California law, the Notes and the interest thereon will be general obligations of the County payable from unrestricted taxes, income, revenue, cash receipts and other moneys to be received by or accrue to the County during the Fiscal Year 2018-19 that will be available for the payment of the Notes as specified in the Resolution and the Financing Certificate. See "THE NOTES – Security for the Notes." The County is not authorized, however, to levy or collect any tax for the repayment of the Notes.

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 certain financial, economic and demographic information with respect to the County, see APPENDIX A – "COUNTY OF

* Preliminary, subject to change.

LOS ANGELES INFORMATION STATEMENT" and APPENDIX B – "COUNTY OF LOS ANGELES FINANCIAL STATEMENTS."

COUNTY OF LOS ANGELES CASH MANAGEMENT PROGRAM

The County implemented a cash management program in 1977 to finance General Fund cash flow shortages occurring periodically during its fiscal year (July 1 through June 30). In each year since the program's inception, the County has sold either tax anticipation notes or tax and revenue anticipation notes (including commercial paper notes) in annual aggregate amounts up to $1,850,000,000. The Resolution authorizes the County to issue and sell up to $700,000,000 aggregate principal amount of its 2018-19 Tax and Revenue Anticipation Notes.

In addition to the Notes and other obligations which may be issued pursuant to the Act, certain funds held in trust by the County until apportioned to the appropriate agency are available to the County for intrafund borrowings. In addition, while it does not expect to do so, the County may undertake interfund borrowing to fund shortages in the General Fund. See "THE NOTES – Security for the Notes," "– Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Cash Management Program."

THE NOTES

General

The Notes will be issued in the aggregate principal amount of $[PRINCIPAL AMOUNT].* The Notes will be issued in book-entry only form and, when delivered, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers of the Notes will not receive certificates representing their ownership interests in the Notes purchased. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated July 2, 2018, and will mature as set forth on the cover page of this Official Statement. Pursuant to the Financing Certificate, the County may elect on the date of pricing to issue the Notes in multiple series, with different maturity dates, interest rates, yields and CUSIP numbers. The Notes are not subject to redemption prior to their maturity.

The Notes will be issued in denominations of $5,000 and any integral multiple thereof ("Authorized Denominations") and will bear interest at the rate set forth on the cover page hereof. Interest on the Notes will be payable at their stated maturity date and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Principal and interest will be payable in immediately available funds upon presentation and surrender of the Notes at the office of the Treasurer, who is serving as the Paying Agent with respect to the Notes.

Authority for Issuance

The Notes are being issued under the authority of the Act and pursuant to the Resolution and are subject to the terms and conditions of the Financing Certificate.

Purpose of Issue

Issuance of the Notes will provide moneys to help meet Fiscal Year 2018-19 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County. The County expects to invest proceeds of the Notes in the Pooled Surplus

Investments Fund of the County Treasury Pool (the "Treasury Pool") until expended. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Financial Summary – *County Pooled Surplus Investments*."

Security for the Notes

The Notes will be issued under and pursuant to the Resolution and the Financing Certificate and, subject to the provisions of the Resolution and the Financing Certificate permitting the application thereof for the purposes and conditions set forth therein, will be secured by a pledge of "Pledged Revenues," which means, as of any date, the Unrestricted Revenues required by the Resolution and the Financing Certificate to be deposited in the 2018-19 TRANs Repayment Fund on or prior to that date. "Unrestricted Revenues" means the taxes, income, revenue, cash receipts and other moneys provided for Fiscal Year 2018-19 which will be received by or will accrue to the County during such fiscal year for the General Fund of the County and which are lawfully available for the payment of current expenses and other obligations of the County.

Pursuant to the Resolution and the Financing Certificate, the County pledges to the payment of the 2018-19 TRANs and the interest thereon, the first Unrestricted Revenues to be received by the County, in each period specified below, in an amount equal to the amount specified below:

(a) the first $__________ Unrestricted Revenues to be received by the County on and after December 20, 2018;

(b) the first $__________ Unrestricted Revenues to be received by the County on and after January 1, 2019; and

(c) (1) the first $__________ Unrestricted Revenues to be received by the County on and after April 1, 2019, plus (2) an amount equal to the interest that will accrue on the 2018-19 TRANs.

As provided in Section 53856 of the Act, the Notes and the interest thereon, shall be a first lien and charge against, and shall be payable from the first moneys received by the County from, the Pledged Revenues. See "THE NOTES – Available Sources of Payment." As security for the payment of the Notes, the County covenants pursuant to the Resolution and the Financing Certificate to deposit or cause to be deposited in the Notes Repayment Fund (the "Repayment Fund"), in trust for the registered owners of the Notes, the Pledged Revenues to be so deposited, and the Auditor-Controller is directed in the Resolution and the Financing Certificate to deposit in the Notes Repayment Fund the Pledged Revenues. To the extent that any amounts received pursuant to clauses (a) through (c) above are less than the total amount designated for such deposit, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from any other moneys of the County lawfully available therefor and the Auditor-Controller is directed in the Resolution and the Financing Certificate to deposit into the Repayment Fund additional amounts from any such other moneys of the County. The amounts on deposit in the Repayment Fund are pledged to the payment of the Notes and the interest thereon, and said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for; provided, however, that earnings on amounts in the Repayment Fund shall be deposited as and when received into the General Fund of the County.

The Pledged Revenues may be invested in Permitted Investments (herein defined); provided, however, that such Pledged Revenues shall not be invested for a term that exceeds the term of the Notes. Any amounts remaining in the Repayment Fund after repayment of all Notes and the interest thereon shall be transferred to any account in the General Fund of the County as the Treasurer or any of his respective designees may direct. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE – Permitted Investments."

As more particularly described under the heading "THE NOTES - Interfund Borrowing, Intrafund Borrowing and Cash Flow," the County may, under certain circumstances, undertake interfund borrowing to fund shortages in the General Fund. While the County does not expect to undertake any such interfund borrowing, Section 6 of Article XVI of the California Constitution requires that any such borrowing be repaid from revenues before any other obligation of the County (including the Notes) is paid from such revenues.

Available Sources of Payment for the Notes

The Notes, in accordance with State law, are general obligations of the County, and to the extent not paid from the Pledged Revenues shall be paid with interest thereon only from any other moneys of the County lawfully available therefor. The County is not authorized to levy or collect any tax for repayment of the Notes. Pursuant to the Act, no obligations, including the Notes, may be issued thereunder if the principal of and interest on such obligations is in excess of 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts and other moneys of the County which will be available for the payment of such principal and interest. See "THE NOTES – Security for the Notes."

The County estimates that the total Unrestricted Revenues to be available for payment of the principal of and interest on the Notes, including the Pledged Revenues, will be in excess of $__ billion, as indicated in the table below. Except for Pledged Revenues, the Unrestricted Revenues will be expended during the course of Fiscal Year 2018-19, and no assurance can be given that any moneys, other than the Pledged Revenues, will be available to pay the Notes and the interest thereon.

To the extent that the Unrestricted Revenues are insufficient to pay the Notes, the County may access certain borrowable resources in order to satisfy its payment obligations. See the table entitled "County of Los Angeles Borrowable Resources – Fiscal Year 2018-19" on pages [12-13] for a detailed summary of the borrowable resources which the County currently projects to be available for Fiscal Year 2018-19. Such amounts are not pledged for payment of the Notes and the interest thereon. The amount of borrowable resources actually available will depend on a variety of factors, including the final form of the County's 2018-19 Budget, when adopted, the County's actual revenues and expenditures, and actions by the State of California which could materially impact the County's expenses and revenues.

COUNTY OF LOS ANGELES
ESTIMATED GENERAL FUND UNRESTRICTED REVENUES
FISCAL YEAR 2018-19 (1)
(In Thousands)

SOURCES:	AMOUNT
Property Taxes	$
Other Taxes	
Homeowner's Exemptions	
Motor Vehicle (VLF) Realignment	
Fines, Forfeitures and Penalties	
Licenses, Permits and Franchises	
Charges for Current Services	
Investment and Rental Income	
Other Revenue and Tobacco Settlement	
Total:	$
Less amount pledged for payment of the Notes:(2)	()
Net total in excess of Pledged Revenues:	$

(1) Reflects revenues set forth in the projected cash flow for Fiscal Year 2018-19. Information subject to change to reflect the impact of any revisions to the 2018-19 State Budget and other matters. See "THE NOTES – State of California Finances" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT".

(2) Based on $[PRINCIPAL AMOUNT]* aggregate principal amount of Notes, including the interest thereon.

State of California Finances

General. The County receives a significant portion of its funding from the State. Changes in the financial situation of the State can affect the amount of funding received for numerous County programs, including various health, social services and public safety programs. There can be no assurances that the Fiscal Year 2018-19 State Budget (the "2018-19 State Budget") will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments. The County cannot reliably predict the ultimate impact of the 2018-19 State Budget on the County's financial outlook. In the event the 2018-19 State Budget includes decreases in County revenues or increases in required County expenditures from the levels assumed by the County, the County will be required to generate additional revenues or curtail programs and/or services to ensure a balanced budget. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

Governor's Proposed 2018-19 State Budget. The Governor released his proposed fiscal year 2018-19 State budget (the "2018-19 Proposed State Budget") on January 10, 2018. The 2018-19 Proposed State Budget estimates that total resources available in fiscal year 2017-18 will be approximately $131.86 billion (including a prior year balance of $4.61 billion) and total expenditures will be approximately $126.51 billion. The 2018-19 Proposed State Budget projects total resources available for fiscal year 2018-19 will be $135.14 billion, which includes prior year balance of $5.35 billion. The 2018-19 Proposed State Budget projects total expenditures for fiscal year 2018-19 of $131.69 billion, consisting of non-Proposition 98 expenditures of $77.12 billion and Proposition 98 expenditures of $54.56 billion. The 2018-19 Proposed State Budget proposes to allocate $1.17 billion of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $2.29 billion of such fund balance to the State's Special Fund for Economic Uncertainties. Among other things, the Proposed 2018-19 State

* Preliminary, subject to change.

Budget estimates the Rainy Day Fund will have a fund balance of $13.46 billion, bringing it to 100% of its target balance.

May Revision to the 2018-19 Proposed State Budget. [To be prepared upon release of the May Revision]

LAO Overview of the May Revision. [To be prepared upon release by the LAO]

Impact of Fiscal Year 2018-19 State Budget on the County. [To be updated.] The Proposed 2017-18 State Budget and May Revision, among other things, [include proposals to reduce or eliminate certain coordinated care and in-home support services funding to counties and redirect certain sales tax and vehicle license fee revenues in connection therewith.] The proposed actions are [not expected to have a material adverse impact on the County for Fiscal Year 2018-19, although County costs are expected to increase thereafter if the current proposals are adopted by the State Legislature.] See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Budgetary Information – 2017-18 State Budget" attached hereto.

Additional Information. The Governor may release additional details of the proposals or updates to the Governor's Proposed 2018-19 State Budget and May Revision. Information about the State Budget is regularly available at various State-maintained websites. Text of the State 2018-19 State Budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the LAO at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

Interfund Borrowing, Intrafund Borrowing and Cash Flow

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. However, revenues are received during the fiscal year by the County in uneven amounts, primarily as a result of the receipt of secured property tax installment payments in December and April and delays in payments from other governmental agencies, the two largest sources of County revenues. Prior to 1977, the County managed its General Fund cash flow deficits by (i) borrowing from specific funds of other governmental entities whose funds are held in the County Treasury (so called "interfund borrowing") pursuant to Section 6 of Article XVI of the California Constitution and (ii) borrowing from funds held in trust by the County (so-called "intrafund borrowing"). Because General Fund interfund borrowings caused disruptions in the County's management of the General Fund's pooled investments, since 1977 the County has regulated its cash flow by issuing tax anticipation notes and tax and revenue anticipation notes for the General Fund and by using intrafund borrowing. Except for tax and revenue anticipation notes that have not yet matured (being the $800,000,000 in aggregate principal amount of tax and revenue anticipation notes issued in Fiscal Year 2017-18 and due June 29, 2018), all notes issued in connection with the County's cash management program have been repaid on their respective maturity dates. Sufficient revenues have been reserved in a repayment fund therefor, separate from the General Fund, to repay the outstanding 2017-18 tax and revenue anticipation notes due on June 30, 2018. The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

The use of intrafund borrowing to cover negative balances in the General Fund is a regular practice. The legality of this practice was decided and affirmed in May 1999 by the California Court of Appeals in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County et al.* The funds available as borrowable resources and reviewed by the court in 1999 consist primarily of property tax collections and monies in transit. Such funds are held in trust by the County prior to being distributed to the various taxing agencies and governmental units within the County. The General Fund itself is a major recipient of these "monies in transit" and ultimately receives more than 30% of all borrowable resources. The County has chosen not to classify such amounts as General Fund receipts until they are actually moved from trust and into the General Fund. If such monies were classified as General Fund deposits when first received by the County, the cash balance in the General Fund would be materially greater throughout the fiscal year. See the tables entitled Borrowable Resources Average Daily Balances - Fiscal Years 2013-14 through 2017-18" and "County of Los Angeles Borrowable Resources – Fiscal Year 2018-19" for the County's historical and projected borrowable resources for purposes of Intrafund Borrowing.

The following tables set forth for fiscal years 2013-14 through 2017-18 the month-end cash balances in the General Fund and the average daily balances in the various funds that account for the County's borrowable resources.

GENERAL FUND [to be updated]
MONTH-END CASH BALANCES
FISCAL YEARS 2013-14 THROUGH 2017-18
(In Thousands)[1]

	2013-14	2014-15	2015-16	2016-17	2017-18
July	$1,194,935	$1,301,521	$1,901,844	$2,266,486	
August	844,344	994,697	1,626,863	1,529,884	
September	177,920	563,608	1,254,727	914,444	
October	43,694	215,745	868,460	900,177	
November	(16,816)	(20,557)	414,234	516,313	
December	358,844	231,055	1,022,814	949,817	
January	797,772	600,670	1,299,857	1,543,600	
February	689,240	552,198	1,409,218	1,583,092	
March	(6,076)	335,074	1,080,343	1,247,138	
April	396,747	426,895	1,162,078	2,002,203	
May	1,074,220	1,079,020	1,399,968	2,395,605	[2]
June	1,025,985	1,653,166	2,162,672	1,697,116	[2]

(1) Month-end balances include the effects of short-term note issuance net of deposits to the repayment funds relating to the short-term notes. Certain monthly periods reflect negative cash balances, which are covered by borrowable resources available to the County. See "THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – FINANCIAL SUMMARY."

(2) Estimated.

BORROWABLE RESOURCES [to be updated]
AVERAGE DAILY BALANCES
FISCAL YEARS 2013-14 THROUGH 2017-18
(In Thousands)

	2013-14	2014-15	2015-16	2016-17	2017-18
July	$1,090,942	$1,308,097	$1,482,119	$1,552,284	
August	1,085,015	1,274,023	1,434,015	1,392,220	
September	1,163,158	1,284,744	1,437,263	1,441,265	
October	1,637,393	1,849,733	1,928,495	1,933,090	
November	3,185,516	3,428,812	3,519,705	3,540,138	
December	5,582,245	5,869,491	6,016,212	6,515,207	
January	3,225,772	3,794,349	4,180,918	4,333,084	
February	2,164,412	2,526,797	2,825,906	2,881,611	
March	2,359,184	2,587,441	2,968,208	3,013,899	
April	4,903,834	5,392,739	5,910,220	6,181,061	
May	2,863,076	3,163,075	3,521,695	3,286,179	[1]
June	1,262,316	1,472,289	1,503,541	1,442,891	[1]

(1) Estimated.

The Auditor-Controller submits to the Board of Supervisors monthly reports that set forth summary cash flow and borrowable resources information, including actual cash flow amounts for the County's General Fund through the preceding month, projected cash flows for the County's General Fund through the end of the applicable fiscal year and monthly borrowable resources average daily balances. The monthly cash flow reports are available through the County's Investor Information website at http://ttc.lacounty.gov/Proptax/Investor.htm. Such information is not incorporated herein by this reference.

In connection with the issuance of the Notes, the County has prepared the following detailed cash flow projection for Fiscal Year 2018-19 based on the 2018-19 Recommended Budget adopted by the Board of Supervisors on April 10, 2018 (the "2018-19 Recommended Budget"), and a detailed projection of average daily balances for Fiscal Year 2018-19 for all funds expected to be available as borrowable resources. The projected information relating to cash flow and borrowable resources has been prepared by the County based on historical information, as well as the County's analysis of expected revenues and expenses for Fiscal Year 2018-19. Although the County believes its Fiscal Year 2018-19 projections are reasonable, the cash flow and borrowable resources will depend on a variety of factors, including the final County Budget, actual revenues and expenses, the impact on the County of State budgetary actions, and other factors, and such projections should not be construed as statements of fact. In preparing cash flow forecasts for prior issuances of tax and revenue anticipation notes, the County has historically been conservative in its projections. Since Fiscal Year 1990-91, the County has exceeded its year-end cash projections in [26] of 27 years, and has done so by an average of more than $500 million. For June 30, 2018, the County projects that its cash balance will be [$1,084] million greater than the original May 2017 forecast of [$613] million, ending the current fiscal year at a positive [$1,697] million. There can be no assurances that actual results for Fiscal Year 2018-19 will not materially differ from the projections.

[Cash Flow Projection]

[Projected Average Daily Balances]

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE

The following is a summary of certain provisions of the Resolution and the Financing Certificate. This summary is not to be considered a full statement of the terms of the Resolution or the Financing Certificate and accordingly is qualified by reference thereto and is subject to the full text thereof. Except as otherwise defined herein, capitalized terms used in this Official Statement without definition have the respective meanings set forth in the Financing Certificate.

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Notes to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the County and the Holders from time to time of the Notes. The pledge made in the Resolution and the Financing Certificate and the covenants and agreements set forth therein to be performed by and on behalf of the County shall be for the equal benefit, protection and security of the Holders of any and all of the Notes all of which shall be of equal rank without preference, priority or distinction of any of the Notes over any other thereof, except as expressly provided in or permitted by the Financing Certificate.

Covenants of the County

The County covenants under the Financing Certificate that it will not issue any notes, or otherwise incur any indebtedness, pursuant to the Act with respect to its Fiscal Year 2017-18 in an amount which, when added to the interest payable thereon, shall exceed 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts, and other moneys of the County which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the County, the term of which will terminate during said fiscal year, such principal and interest may be disregarded in computing said limit.

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the County covenants to comply with each applicable requirement of the Code (herein defined) necessary to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes. In furtherance of the foregoing tax covenant, the County agrees to comply with the provisions of the Tax Certificate. The County shall make all calculations as provided in the Tax Certificate relating to any rebate of excess investment earnings on the Notes proceeds due to the United States Department of Treasury in a reasonable and prudent fashion and shall segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of Treasury.

Notwithstanding any other provision of the Financing Certificate to the contrary, upon the County's failure to observe or refusal to comply with the foregoing tax covenants, the Holders, and any adversely affected former Holders, shall be entitled to the rights and remedies provided to Holders under the Financing Certificate.

Negotiability, Transfer and Exchange of the Notes

The Holders of the Notes evidenced by registered certificates may transfer or exchange such Notes upon the books maintained by the Note Registrar, in accordance with the Financing Certificate.

The County and the Paying Agent may deem and treat the Holder of any Note as the absolute owner of such Note, regardless of whether such Note is overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such Holder or upon his or her order will satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the County nor the Paying Agent will be affected by any notice to the contrary. Cede & Co., as nominee of DTC, or such other nominee of DTC or any successor securities depository or the nominee thereof, will be the Holder of the Notes as long as the beneficial ownership of the Notes is held in book-entry form in the records of such securities depository. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

Permitted Investments

Moneys on deposit in the Repayment Fund will be retained therein until applied to the payment of the principal of and interest on the Notes. Such amounts may not be used for any other purpose, although they may be invested in Permitted Investments, as defined in the Financing Certificate ("Permitted Investments"), as more fully described below:

(1) Obligations of, or guaranteed as to principal and interest by, the United States of America, or by any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America.

(2) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board; (b) the Federal Home Loan Mortgage Corporation; (c) the Federal National Mortgage Association; (d) Federal Farm Credit Bank; (e) Government National Mortgage Association; (f) Student Loan Marketing Association; and (g) guaranteed portions of Small Business Administration notes.

(3) Commercial Paper having original maturities of not more than 270 days, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of $500 million and having "A" or better rating for the issuer's long-term debt as provided by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's, a Standard & Poor's Financial Services LLC business ("S&P"), or Fitch Ratings ("Fitch") and "P-1", "A-1", "F1" or better rating for the issuer's short-term debt, as provided by Moody's, S&P, or Fitch, respectively. The maximum total par value may be up to 15% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(4) The Los Angeles County Treasury Pool (the "County Treasury Pool").

(5) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as "bankers' acceptances," having original maturities of not more than 180 days, with a maximum par value of 40% of the total amount held by the Treasurer in accordance with the Financing Certificate. The institution must have a minimum short-term debt rating of "A-1," "P-1," or "F1" by S&P, Moody's, or Fitch, respectively, and a long-term debt rating of no less than "A" by S&P, Moody's or Fitch.

(6) Shares of beneficial interest issued by diversified management companies, known as money market funds, registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 *et seq.*) and whose fund has received the highest possible rating from S&P and at least one other nationally recognized securities rating agency. The maximum par value may be up to 15% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(7) Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the "A" category or better from S&P, Moody's or Fitch. The maximum par value may be up to 30% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(8) Repurchase agreements which have a maximum maturity of 30 days and are fully secured at or greater than 102% of the market value plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with number (2) above. The maximum par value per issuer may not exceed $250,000,000 and the maximum total par value for all such agreements with funds held by the Treasurer under the Financing Certificate may not exceed $500,000,000.

(9) Investment agreements and guaranteed investment contracts with issuers having a long-term debt rating of at least "AA" or "Aa2" by S&P or Moody's, respectively.

Notwithstanding anything within the definition of Permitted Investments to the contrary, so long as S&P maintains a rating on the Notes, to the extent Pledged Revenues are invested in Permitted Investments described in paragraphs (3), (5), (7) or (9) above, such investments must be rated by S&P at the respective S&P ratings described therein.

Repayment Fund Held by the Treasurer

Under the Resolution and the Financing Certificate, the County shall transfer to the Treasurer for deposit in the Repayment Fund the Pledged Revenues as set forth in the Financing Certificate. The Pledged Revenues may be invested in Permitted Investments; provided, however, that such Pledged Revenues shall not be invested for a term that exceeds the term of the Notes. The Pledged Revenues shall be used to pay the Notes and the interest thereon when the same shall become due and payable and may not be used for any other purpose; provided that earnings on amounts in the Repayment Fund shall be deposited as and when received into the General Fund of the County. Any amounts remaining in the Repayment Fund after repayment of all the Notes and the interest thereon shall be transferred to any account in the General Fund of the County as the Treasurer or any designee may direct.

Supplemental Financing Certificate and Supplemental Resolution

The Financing Certificate and certain of the rights and obligations of the County and of the Holders of the Notes may be amended or supplemented pursuant to a supplemental financing certificate executed by the Treasurer in accordance with the provisions of the Financing Certificate (a "Supplemental Financing Certificate"), with the written consent of the Holders of at least a majority in principal amount of the Notes outstanding at the time such consent is given; provided, however, that if such supplement or amendment will, by its terms, not take effect so long as any particular Notes remain Outstanding, the consent of the Holders of such Notes will not be required. No such supplement or amendment shall (i) permit a change in the terms of maturity of the principal of any Notes or of the interest rate thereon or a reduction in the principal amount thereof without the consent of all of the Holders of the affected Notes, or (ii) change the dates or amounts of the pledges set forth in the Financing Certificate with respect to the Notes, as set forth under "THE NOTES - Security for the Notes," without the consent of all of the Holders of the affected Notes, or (iii) reduce the percentage of the Holders required to approve such Supplemental Financing Certificate without the consent of all of the Holders of the affected Notes, or (iv) change or modify any of the rights or obligations of the Paying Agent without its written consent thereto.

Additionally, a resolution amending the Resolution (a "Supplemental Resolution") may be adopted, or a Supplemental Financing Certificate may be executed, without the consent of the Holders, (i) to add to the covenants and agreements to be observed by the County that are not contrary to or inconsistent with the Resolution or the Financing Certificate, (ii) to add to the limitations and restrictions to be observed by the County that are not contrary to or inconsistent with the Resolution or the Financing Certificate, (iii) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution or the Financing Certificate, of any moneys, securities or funds or to establish any additional funds or accounts to be held under the Resolution or the Financing Certificate, (iv) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or the Financing Certificate, (v) to supplement or amend the Resolution or the

Financing Certificate as required to obtain a rating for the Notes, or any portion thereof, from any rating agency, provided that the County obtains an opinion of Bond Counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders or (vi) to supplement or amend the Resolution or Financing Certificate in any other respect, provided that the County obtains an opinion of Bond Counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders.

Events of Default

Any one or more of the following will constitute an "Event of Default" under the Resolution and the Financing Certificate:

(1) the County fails to make any payment of the principal of or interest on any Notes when and as the same become due and payable;

(2) the County fails to perform or observe any other of the covenants, agreements or conditions required to be performed or observed by the County pursuant to the Resolution, the Financing Certificate or the Notes and such default shall continue for a period of 60 days after written notice thereof to the County by the Holders of not less than 10 percent in aggregate principal amount of the outstanding Notes; or

(3) the County shall file petition for relief under the federal bankruptcy laws.

Whenever any Event of Default shall have happened and shall be continuing, the Holders of the Notes, and any adversely affected former Holders of the Notes, and their legal representatives, will be entitled to take any and all actions available at law or in equity to enforce the performance of the covenants in the Financing Certificate and in the Act. Nothing in the Financing Certificate will preclude an individual Holder from enforcing such Holder's rights to payment of principal of and interest on such Holder's Notes.

Payment of Unclaimed Moneys to County

Anything in the Financing Certificate to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any of the Notes that remain unclaimed for a period of one year after the date when such Notes have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such Notes became due and payable, will be repaid to the County, as its absolute property and free from trust, and the Holders may thereafter look only to the County for the payment of such Notes from legally available funds; provided, however, that before any such payment is made to the County, the County will create (and thereafter maintain until payment of all of the Notes) a record of the amount so repaid, and the County will cause to be published at least twice, at any interval of not less than seven days between publications, in *The Bond Buyer* and two other newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, in Los Angeles, California and in the Borough of Manhattan, City and State of New York, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date may be not less than thirty days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County.

ENFORCEABILITY OF REMEDIES

The rights of the owners of the Notes are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by 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 creditors' 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 owners of the Notes 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.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The County expects to be in possession of certain Unrestricted Revenues that are pledged and will be set aside to repay Notes and these funds will be held a segregated account to be established and maintained by the County for the benefit of the owners of the Notes. The amounts in such segregated account will be invested for a period of time in the County Treasury Pool. In the event of a petition for the adjustment of County debts under Chapter 9 of the Bankruptcy Code, a court might hold that the owners of the Notes do not have a valid and prior lien on the such pledged amounts where such amounts are deposited in the County Treasury Pool and may not provide the Note owners with a priority interest in such amounts. Such pledged amounts may not be available for payment of principal of and interest on the Notes unless the owners could "trace" the funds from the Repayment Fund that have been deposited in the County Treasury Pool. There can be no assurance that the Owners could successfully so "trace" the pledged amounts.

TAX MATTERS

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law: (i) interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Notes is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018); and (ii) interest on the Notes is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Notes.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the County contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Notes are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the County's certifications and representations or the continuing compliance with the County's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Notes from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations (the "Regulations") under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the County may cause loss of such status and result in the interest on the Notes being included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes. The County has covenanted to take the actions required of it for the interest on the Notes to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Notes, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Notes or the market value of the Notes.

Under the Code and Regulations, if the County does not spend all of the proceeds of the Notes within six months after issuance (determined as provided in the Code and Regulations), the County must rebate to the federal government its arbitrage profits, if any, in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The County expects to spend all of the proceeds of the Notes within six months of issuance. If, however, it fails to do so, the County has covenanted to provide for and to set aside any required rebate payment from moneys attributable to Fiscal Year 2018-19. The California Constitution generally prohibits the County from incurring obligations payable from moneys other than moneys attributable to the fiscal year in which such obligations are incurred. Accordingly, if, after the end of the Fiscal Year 2018-19, it is determined that the County's calculations of expenditures of Note proceeds or of rebatable arbitrage profits, if any, were incorrect and that the moneys attributable to Fiscal Year 2018-19 that were set aside were insufficient to meet the recalculated rebate requirement, it is unclear whether the County could be compelled to pay the difference from the moneys attributable to the then current fiscal year. If the amount required to be rebated to the federal government as recalculated is not paid, then it may be determined that, retroactive to the issuance of the Notes, the interest on the Notes is not excluded from gross income for federal income tax purposes. Bond Counsel has assumed that the representations and covenants of the County in the Resolution and in the County's Tax Compliance Certificate concerning the investment and use of Note proceeds and the rebate to the federal government of certain earnings thereon, to the extent required, from legally available moneys, are true and correct and that the County will comply with such covenants (including the covenant that rebate payments due the federal government, if any, will be timely made).

Interest on the Notes is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the federal corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018). In addition, interest on the Notes may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Notes. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Notes, are generally subject to IRS Form 1099-INT information reporting requirements. If a Note owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the owners of the Notes regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Notes, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the Notes will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Notes.

Prospective purchasers of the Notes upon their original issuance at prices other than the respective prices indicated on the cover of this Official Statement, and prospective purchasers of the Notes at other than their original issuance, should consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value or marketability of the Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, the recent federal tax legislation that was enacted on December 22, 2017 reduces corporate tax rates, modifies individual tax rates, eliminates many deductions, repeals the corporate alternative minimum tax (for taxable years beginning after December 31, 2017) and eliminates tax-exempt advance refunding bonds, among other things. Additionally, investors in the Notes should be aware that future legislative actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Notes for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Notes may be affected and the ability of holders to sell their Notes in the secondary market may be reduced. The Notes are not subject to special mandatory redemption, and the interest rates on the Notes are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Notes.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Original Issue Discount and Original Issue Premium

Certain of the Notes ("Discount Notes") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Note. The issue price of a Discount Note is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Notes of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Note over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Note (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Notes, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Note. The amount of OID that accrues each year to a corporate owner of a Discount Note is included in the calculation of the corporation's adjusted current earnings for purposes of, and thus may be subject to, the federal corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018). A purchaser of a Discount Note in the initial public offering at the issue price (described above) for that Discount Note who holds that Discount Note to maturity will realize no gain or loss upon the retirement of that Discount Note.

Certain of the Notes ("Premium Notes") may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes note premium. For federal income tax purposes, note premium is amortized over the period to maturity of a Premium Note, based on the yield to maturity of that Premium Note (or, in the case of a Premium Note callable prior to its stated maturity, 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 that Premium Note), compounded semiannually. No portion of that note premium is deductible by the owner of a Premium Note. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Note, the owner's tax basis in the Premium Note is reduced by the amount of note premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Note for an amount equal to or less than the amount paid by the owner for that Premium Note. A purchaser of a Premium Note in the initial public offering who holds that Premium Note to maturity (or, in the case of a callable Premium Note, to its earlier call date that results in the lowest yield on that Premium Note) will realize no gain or loss upon the retirement of that Premium Note.

Owners of Discount and Premium Notes should consult their own tax advisors as to the determination for federal income tax purposes of the existence of OID or note premium, the determination for federal income tax purposes of the amount of OID or note premium properly accruable or amortizable in any period with respect to the Discount or Premium Notes, other federal tax consequences in respect of OID and note premium, and the treatment of OID and note premium for purposes of state and local taxes on, or based on, income.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Squire Patton Boggs (US) LLP, Bond Counsel. The approving opinion of Bond Counsel will be delivered with the Notes in substantially the form appearing in APPENDIX C hereto. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Certain legal matters will be passed on for the County by County Counsel.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under the California Financial Code, the Notes are legal investments for commercial banks in the State, and under the California Government Code, the Notes are eligible to secure deposits of public moneys in the State.

FINANCIAL STATEMENTS

The financial statements of the County for the Fiscal Year ended June 30, 2017, 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 Independent Auditor with respect to any event subsequent to its report dated December 15, 2017.

RATINGS

Moody's, S&P and Fitch have given the Notes the ratings of "___," "___" and "___" respectively. Certain information was supplied by the County to the rating agencies to be considered in evaluating the Notes. Such ratings reflect only the views of the rating agencies, and are not a recommendation to buy, sell or hold any of the Notes. Any explanation of the significance of each such rating should be obtained from the rating agency furnishing the same at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; Fitch Ratings, 33 Whitehall Street, New York, New York 10004. There can be no assurance that any such rating will remain in effect for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of ratings may have an adverse effect on the market price of the affected Notes.

LITIGATION

To the best knowledge of the County, no litigation is pending or threatened concerning the validity of the Notes, and an opinion of the County Counsel to that effect will be furnished at the time of issuance of the Notes.

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 repay the Notes. See Note 18 of "Notes to the Basic Financial Statements" included in APPENDIX B sets forth this liability as of June 30, 2017.

MUNICIPAL ADVISOR

Public Resources Advisory Group has served as Municipal Advisor to the County in connection with the issuance of the Notes. The Municipal Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained herein.

UNDERWRITING

The Notes are being purchased for reoffering by Goldman Sachs & Co. LLC., as representative of itself, J.P. Morgan Securities LLC, [UWs] (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Notes at a purchase price of $________ (representing the principal amount of the Notes, plus original issue premium of $________, less Underwriters' discount of $________). The Contract of Purchase (the "Contract of Purchase") provides that the Underwriters will purchase all of the

Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

The Underwriters may offer and sell the Notes to certain dealers and others at prices lower than the public offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriters.

ADDITIONAL INFORMATION

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

Appropriate County officials, acting in their official capacity, have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. An appropriate County official will execute a certificate to such effect upon delivery of the Notes. This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County.

CONTINUING DISCLOSURE

The County has agreed in a Disclosure Certificate to provide, no later than ten business days after their occurrence, notice of the occurrence of the 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 Notes. The notice events applicable to the Notes include: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) 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 Notes, or other material events affecting the tax status of the Notes; (4) modifications to rights of Noteholders, if material and (5) rating changes.

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

Additional information regarding this Official Statement and copies of the Resolution and the Financing Certificate may be obtained by contacting:

COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
(213) 974-8359

APPENDIX A

COUNTY OF LOS ANGELES INFORMATION STATEMENT

THE COUNTY OF LOS ANGELES
Information 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 over 10.2 million in 2017, 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, each of whom is elected by residents from their respective supervisorial districts to serve four-year terms. 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.

In March 2007, the Board of Supervisors amended the County Code by adopting the Interim Governance Structure Ordinance. Under this governance structure, the Board of Supervisors delegated additional responsibilities for the administration of the County to the Chief Executive Office (the "CEO"), including the oversight, evaluation and recommendation for appointment and removal of specific department heads and County officers. The five departments that continued to report directly to the Board of Supervisors were the Fire Department, Auditor-Controller, County Counsel, Executive Office of the Board of Supervisors, and the CEO. In May 2011, the Board of Supervisors further revised the governance structure by directing the Department of Children and Family Services and the Probation Department to report directly to the Board.

Over the last several years, the County has experienced significant changes to its elected leadership, senior management personnel and governance structure. 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 on December 1, 2014. In November 2014, voters also elected a new Assessor and a new Sheriff. Other key management changes to County departments include appointments by the Board of Supervisors of a new Auditor-Controller in October 2014, a new Treasurer and Tax Collector in January 2015, a new CEO in October 2015, and a new County Counsel in July 2015. 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 on December 5, 2016.

On July 7, 2015, the Board of Supervisors approved recommendations by the CEO to amend the County Code by repealing the 2007 Interim Governance Structure Ordinance, and to establish a new governance structure. Under the new governance structure, all non-elected department heads report directly to the Board of Supervisors, and all Deputy 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, which will facilitate more effective decision making and greater responsiveness to the Board of Supervisors' policy objectives.

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 3,380 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 16,613 inmates. This number includes approximately 622 inmates who were serving their sentences outside of the jail in community based alternatives to custody 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 5.3 million registered voters and maintains approximately 5,000 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 182 parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 10 regional parks, 44 neighborhood parks, 16 community parks, 14 wildlife sanctuaries, 10 nature centers, 40 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 workforce of approximately 101,860 with 86.9% of the workforce represented by sixty-one (61) 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 56.3% of County employees; the Coalition of County Unions ("CCU"), which includes twenty-two (22) collective bargaining units that represent 22.8% of County employees; and the Independent Unions (the "Independent Unions"), which encompass fifteen (15) collective bargaining units that represent 7.8% 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-one (61) 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 County maintains strong working relationships with its collective bargaining units. The current Memoranda of Understanding ("MOUs") with the various collective bargaining units cover wages, salaries and fringe benefits. The current MOUs covering wages and salaries have three-year terms and provided for a 10% cost of living increase over the term of the agreements, which have various expiration dates ranging from December 31, 2017 to September 30, 2018. Non-represented employees also received the 10% cost of living increase that was agreed to with its collective bargaining units.

As the result of reopener language related to specific MOU provisions, the County is currently re-negotiating the MOUs with Building Trades and Skilled Craftsmen in regard to compensation rates for apprentices, and with SEIU Local 721 in regard to compensation rates for Nurse Practitioners.

The two (2) MOUs covering fringe benefits, which expire on September 30, 2018, include provisions to change the cafeteria plan contributions and subsidies for temporary and part-time employees, additional annual vacation leave of up to 40 hours after 24 years or more of service, an additional paid holiday in recognition of Cesar Chavez' birthday, a change in eligibility for sick personal leave for rehired retirees, and an expansion of bereavement leave provisions (SEIU Local 721 Fringe Benefit MOU only).

The County has commenced salary and wage negotiations with those collective bargaining units with MOUs that expired on December 31, 2017 and January 31, 2018. The County expects to begin salary and wage negotiations with the remaining collective bargaining units (MOU expiration dates of September 30, 2018) during the summer of 2018. Negotiations for each of the fringe benefit MOUs are scheduled to begin in the late spring/early summer of 2018.

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 have 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 after January 4, 1982 also have 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 30,2017 was 174,778, consisting of 72,009 active vested members, 25,202 active non-vested members, 63,324 retired members and 14,243 terminated vested (deferred) members. Of the 97,211 active members (vested and non-vested), 84,513 are general members in General Plans A through G, and 12,698 are safety members in Safety Plans A through C.

Of the 63,324 retired members, 51,083 are general members in General Plans A through G, and 12,241 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, 2017, approximately 54% of the total active general members (vested and non-vested) were enrolled in General Plan D, and over 85% 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, 2017 Actuarial Valuation (the "2017 Actuarial Valuation"), the total employer contribution rate in Fiscal Year 2018-19 for new employees hired on and after January 1, 2013 is 19.49% for General Plan G and 24.93 for Public Safety Plan C. The new employer contribution rates are similar to the comparative rates of 19.47% for General Plan D participants and 26.33% 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.

In June 2002, the County and LACERA entered into the Retirement Benefits Enhancement Agreement (the "2002 Agreement") to enhance certain retirement benefits in response to changes to State programs enacted in 2001 and fringe benefit changes negotiated in 2000. However, unlike other local governments in California, the County did not agree to major increases in pension benefits as part of its 2002 Agreement. The 2002 Agreement, which expired in July 2010, provided for a 30-year rolling amortization period for any unfunded actuarial accrued liability ("UAAL"). UAAL is defined as the actuarial accrued liability ("AAL") minus the actuarial value of the assets of LACERA at a particular valuation date.

When measuring assets to determine the UAAL, the Board of Investments has elected to "smooth" gains and losses to reduce the potential volatility of its funding requirements. If in any year, the actual investment return on the Retirement Fund's assets is lower or higher than the current actuarial assumed rate of return, then 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 a new Retirement Benefit Funding Policy (the "2009 Funding Policy"), which amended the terms of the 2002 Agreement. The impact of the 2009 Funding Policy on the LACERA plans was reflected in the June 30, 2009 Actuarial Valuation prepared by Milliman. The two most significant changes in the 2009 Funding Policy are described as follows:

- Asset Smoothing Period: The smoothing period to account for asset gains and losses increased from three years to five years. This initially resulted in a higher Funded Ratio (as determined by dividing the valuation assets by the AAL) and a lower contribution rate than would have been calculated under the previous three-year smoothing period.

- Amortization Period: The UAAL is amortized over a closed thirty-year layered period, compared to an open thirty-year period under the 2002 Agreement. If LACERA achieves a Funded Ratio in excess of 100%, the surplus funding position will be amortized over a thirty-year open period.

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. Based on the Investigation of Experience for the three-year period ended June 30, 2010, (the "2010 Investigation of Experience"), Milliman recommended that the Board of Investments consider the adoption of some key changes to the economic assumptions related to inflation and investment returns, and other minor changes to the demographic assumptions.

In October 2011, based on the 2010 Investigation of Experience, the Board of Investments lowered the assumed investment rate of return from 7.75% to 7.5%, and to phase in the reduction over a three-year period commencing as of June 30, 2011. The assumed rates of return were adjusted to 7.7%, 7.6% and 7.5% for the June 30th year-end actuarial valuations in 2011, 2012 and 2013, respectively.

In December 2013, Milliman released the 2013 Investigation of Experience for Retirement Benefit Assumptions (the "2013 Investigation of Experience"). The 2013 Investigation of Experience provided the basis for Milliman's recommended changes to the actuarial assumptions in the June 30, 2013 Actuarial Valuation (the "2013 Actuarial Valuation"). The key changes to the actuarial assumptions proposed by Milliman included a reduction in the assumed investment rate of return from 7.5% to 7.25%; reductions in the assumed rates for wage growth and price inflation from 3.75% and 3.25% to 3.5% and 3.0%, respectively; and a reduction in the mortality rate (increase in life expectancy) for all retirees. In December 2013, the Board of Investments approved Milliman's recommended changes to the actuarial assumptions to be used in the 2013 Actuarial Valuation, with the exception of the assumed rate of return, which remained unchanged at 7.5%.

In December 2016, Milliman released the 2016 Investigation of Experience for Retirement Benefit Assumptions (the "2016 Investigation of Experience"). The 2016 Investigation of Experience provided the basis for Milliman's recommended changes to the actuarial assumptions in the June 30, 2016 Actuarial Valuation (the "2016 Actuarial Valuation"). The key changes to the actuarial assumptions proposed by Milliman included a reduction in the assumed investment rate of return from 7.5% to 7.25%; reductions in the assumed rates for wage growth and price inflation from 3.50% and 3.00% to 3.25% and 2.75%, respectively; and a reduction in the mortality rate (increase in life expectancy) for all retirees. In December 2016, the Board of Investments approved Milliman's recommended changes to the actuarial assumptions to be used in the 2016 Actuarial Valuation. However, the resulting increase to the employer contribution rate will be phased in over a three-year period beginning in Fiscal Year 2017-18.

UAAL and Deferred Investment Returns

For the June 30, 2016 Actuarial Valuation (the "2016 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 1.1%, which was significantly lower than the 7.25% assumed rate of return. As a result of the weaker than assumed investment performance, the market value of Retirement Fund Assets decreased by $971 million or 2.0% to $47.847 billion as of June 30, 2016. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $2.030 billion or 4.3% from $47.328 billion to $49.358 billion as of June 30, 2016. The 2016 Actuarial Valuation reported that the AAL increased significantly by $5.380 billion to $62.199 billion, and the UAAL increased by $3.350 billion to $12.841 billion from June 30, 2015 to June 30, 2016.

The 2016 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2017. The County's required contribution rate increased from 17.77% to 19.70% of covered payroll in Fiscal Year 2017-18 after partial phase-in of the new actuarial assumption changes. The increase in the contribution rate was comprised of an increase in the funding requirement to finance the UAAL over 30 years from 8.49% to 11.24%, and an increase in the normal cost contribution rate from 9.28% to 9.97%.

The increase in the County's required contribution rate for Fiscal Year 2017-18 reflects partial recognition of the 2.87% increase in the contribution rate attributable to the changes in actuarial assumptions recommended by Milliman for the 2016 Actuarial Valuation. The Board of Investments approved a gradual phase-in of the increase in the contribution rate over a three-year period, with the remaining balance of the increase to be reflected in higher contribution rates for Fiscal Years 2018-19 and 2019-20. If the three-year phase-in had not been adopted by the Board of Investments, the employer contribution rate for Fiscal Year 2017-18 would have been 21.21%.

The 2016 Actuarial Valuation did not include $2.012 billion of net deferred investment losses 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 76.1% as of June 30, 2016, and the required County contribution rate would have been 22.79% for Fiscal Year 2017-18.

For the June 30, 2017 Actuarial Valuation (the "2017 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 12.7%, which was significantly 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 $4.897 billion or 10.0% to $52.744 billion as of June 30, 2017. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $2.808 billion or 5.7% from $49.357 billion to $52.166 billion as of June 30, 2017. The 2017 Actuarial Valuation reported that the AAL increased significantly by $3.112 billion to $65.311 billion, and the UAAL increased by $304 million to $13,145 billion from June 30, 2016 to June 30, 2017.

After reaching a cyclical high of 94.5%, prior to the economic downturn, the Funded Ratio declined steadily from June 30, 2008 to June 30, 2013. The steady decline in the Funded Ratio over the five-year period was primarily driven by continuous growth in the AAL and the partial recognition of significant actuarial investment losses in Fiscal Years 2008-09 and 2011-12 (especially the losses in Fiscal Year 2008-09). The $10.428 billion of actuarial investment losses incurred in Fiscal Year 2008-09 were fully accounted for in the valuation of the Retirement Fund as of June 30, 2013. The Funded Ratio as of June 30, 2016 decreased to 79.4% from 83.3% in the prior year, primarily due to changes in the actuarial assumptions for the 2016 Actuarial Valuation. The Funded Ratio as of June 30, 2017 increased slightly to 79.9% from the prior year, primarily due to improved investment performance.

The 2017 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2018. The County's required contribution rate will increase from 19.70% to 20.04% of covered payroll in Fiscal Year 2018-19 after partial phase-in of the new actuarial assumption changes. The increase in the contribution rate is comprised of a slight decrease in the funding requirement to finance the UAAL over 30 years from 11.24% to 11.06%, and a slight decrease in the normal cost contribution rate from 9.97% to 9.94%.

The increase in the County's required contribution rate for Fiscal Year 2018-19 reflects partial recognition of the 2.87% increase in the contribution rate attributable to the changes in actuarial assumptions recommended by Milliman for the 2016 Actuarial Valuation. If the three-year phase-in had not been adopted by the Board of Investments, the employer contribution rate for Fiscal Year 2018-19 would be 21.00%.

The 2017 Actuarial Valuation does not include $49.907 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 80.0% as of June 30, 2017, and the required County contribution rate would have been 20.96% for Fiscal Year 2018-19.

[As of March 31, 2017, LACERA reported a 9.9% fiscal year to date return on Retirement Fund assets, which is higher than the actuarial assumed investment rate of return of 7.25%. The asset allocation percentages for the Retirement Fund as of March 31, 2017 were 24.9% domestic equity, 23.6% international equity, 23.3% fixed income, 11.8% real estate, 9.2% private equity, 2.0% commodities, 2.8% hedge funds and 2.4% cash.] **(TO BE UPDATED)**

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") on page A-11.

Pension Funding

Since Fiscal Year 1997-98, the County has funded 100% of its annual actuarially required contribution to LACERA. In Fiscal Years 2015-16 and 2016-17, the County's total contributions to the Retirement Fund were $1.384 billion and $1.335 billion, respectively. In Fiscal Year 2017-18, the County's required contribution payments are projected to increase by over $168 million or 12.6% to $1.503 billion. For Fiscal Year 2018-19, the County is estimating retirement contribution payments to LACERA of $1.617 billion, which would represent a 7.6% or $113.8 million increase from Fiscal Year 2017-18.

A summary of actual and projected County pension payments to LACERA for the eight-year period ending June 30, 2019 is presented in Table 3 ("County Pension and OPEB Payments") on page A-11.

During the early and mid-1990's, the County relied heavily upon the use of excess earnings to fund all or a portion of its annually required contribution to LACERA. The County's excess earnings were generated as a result of an agreement between the County and LACERA, which allowed the County to share in Retirement Plan earnings (through June 30, 1998) in excess of the actuarial assumed rate of return. Beginning in 1996, the County embarked on a multi-year plan to lessen its reliance on excess earnings by systematically increasing its net County cost to the Retirement Plan. The required contribution for Fiscal Year 2007-08 represented the first year that excess earnings were not used to fund the County's required contribution. The remaining balance of excess earnings maintained with LACERA (the "County Contribution Credit Reserve") was $470.71 million as of June 30, 2012. In Fiscal Year 2012-13, the County transferred $448.8 million from the County Contribution Credit Reserve to fund the establishment of a trust to help address the County's substantial liability related to other post-employment benefits ("OPEB"). As of June 30, 2017, the remaining balance in the County Contribution Credit Reserve was zero.

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, 2017, $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 2017 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 20.04% to 20.51% for Fiscal Year 2018-19, and the Funded Ratio would have decreased from 79.9% to 78.9% as of June 30, 2017. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately $35 million in Fiscal Year 2017-18.

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, has 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 represents 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, 2017 the County reported a Net Pension Liability of $10.273 billion, which represents a $2.825 billion or 38% increase from the $7.448 billion Net Pension Liability reported as of June 30, 2016.

Postemployment Health Care Benefits

LACERA administers a 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 Fiscal Years 2015-16 and 2016-17, the total "pay as you go" payments from the County to LACERA for retiree health care benefits were $507.7 million and $528.9 million, respectively. In Fiscal Year 2017-18, payments to LACERA for OPEB are projected to increase by $31.6 million or 6.0% to $560.5 million. For Fiscal Year 2018-19, the County is projecting $599.8 million in OPEB payments to LACERA, which would represent a 7.0% or $39.2 million increase from Fiscal Year 2017-18.

Financial Reporting for Other Postemployment Benefits

GASB had previously issued two statements that address financial reporting requirements for OPEB, which is defined to include many post- retirement benefits other than pension-related benefits. Health care and disability benefits are the most significant of these benefits provided by the County.

GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("GASB 43"), established financial reporting standards for OPEBs in a manner similar to the standards that were previously in effect for pension benefits. GASB 43 was focused on the entity that administers such benefits (which, in the case of the County, is LACERA) and requires an actuarial valuation to determine the funded status of accrued benefits. LACERA has complied with GASB 43 requirements for all annual reporting periods beginning with the Fiscal Year ended June 30, 2008.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"), established financial reporting standards designed to measure, recognize, and disclose OPEB costs. GASB 45 was focused on the County's financial statements, and related note disclosures. Starting with the June 30, 2008 Comprehensive Annual Financial Report ("CAFR"), the County implemented the requirements of GASB 45 in its financial reporting process. The core requirement of GASB 45 is that an actuarial analysis must be prepared at least once every two-year period with respect to projected benefits ("Plan Liabilities"), which would be measured against the actuarially determined value of the related assets (the "Plan Assets"). To the extent that Plan Liabilities exceeded Plan Assets, the difference could be amortized over a period not to exceed 30 years. GASB 45 did not require the funding of any OPEB liability related to the implementation of this reporting standard.

In June 2015, GASB issued Statement No. 74 and Statement No. 75, which will replace the existing 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, replaces 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 2016-2017 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, replaces the requirements of GASB Statement No. 45 and is focused on employers (the County) providing defined OPEB benefits. GASB 75 will be implemented with the issuance of the County's Fiscal Year 2017-2018 financial statements. Although GASB 75 is not expected to materially affect the existing process which computes the County's UAAL, it will 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 will expand the existing OPEB-related note disclosures and supplementary information.

The new requirement to recognize the full amount of net OPEB liabilities in the financial statements is a substantive and material change to the existing standards. Current accounting standards only require recognition of OPEB liabilities to the extent that OPEB funding is less than the actuarially determined amount. As of June 30, 2017, the County's Statement of Net Position recognized $14.527 billion of OPEB liabilities. 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 43 and GASB 45, 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.

For the Fiscal Year ended June 30, 2016, the County reported a net OPEB obligation of $13.109 billion, which represented a $1.575 billion or 13.6% increase from the $11.535 billion obligation reported as of June 30, 2015. The net OPEB obligation is comprised of $12.785 billion for retiree health care benefits and $324.0 million for long-term disability benefits, which the County has determined to be an additional OPEB liability and reported as a component of the net OPEB obligation in the CAFR.

In August 2017, Milliman released the County's fifth OPEB actuarial valuation report ("the 2016 OPEB Valuation") as of July 1, 2016. In the 2016 OPEB Valuation, Milliman reported an AAL of $25.913 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability is $24.792 billion, which represents a 9.0% decrease from the previous OPEB Valuation as of July 1, 2014 (the "2014 OPEB Valuation"). The annual required contribution ("ARC") to fund the OPEB liability as of July 1, 2016 is estimated to be $1.964 billion, which represents 27.03% of the County's payroll costs and a 8.7% decrease from the 2014 OPEB Valuation. The decrease in the County's OPEB liability from 2014 to 2016 was the result of several offsetting factors, with the most significant factors being an increase in the discount rate from 3.75% to 4.50% and lower than expected increases in health insurance premiums.

For the Fiscal Year ended June 30,2017, the County reported a net OPEB obligation of $14.527 billion, which represents a

$1.418 billion or 10.8% increase from the $13.109 billion obligation reported as of June 30, 2016. The net OPEB obligation is comprised of $14.151 billion for retiree health care benefits and $376.0 million for long-term disability benefits, which the County has determined to be an additional OPEB liability and reported as a component of the net OPEB obligation in the CAFR.

The June 30, 2017 OPEB ARC of $2.047 billion, which includes $1.956 billion for retiree health care benefits and $90.2 million for long-term disability benefits, represents a $145.6 million or 6.6% decrease from the $2.192 billion obligation as of June 30, 2016. The OPEB ARC was partially offset by $628.6 million in total County contribution payments, resulting in an increase in the net OPEB obligation of $1.418 billion in Fiscal Year 2016-17. The total County contribution payments in Fiscal Year 2016-17 were 30.7% of the OPEB ARC, which represents an increase from the 28.2% funding level in Fiscal Year 2015-16.

Funding for Other Postemployment Benefits

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 for the initial funding of the OPEB Trust.

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 begin the process to fully fund the OPEB ARC by incrementally increasing the annual contribution to the OPEB Trust. The Fiscal Year 2017-18 Final Adopted Budget appropriates $121.2 million in pre-funding contributions to the OPEB Trust Fund, which will be funded by a $50.0 million Net County Cost ("NCC") contribution from the General Fund and $71.2 million in projected subvention revenue received from Federal, State and other local government entities. In future fiscal years, the County expects to incrementally increase its OPEB funding by approximately $60 million per year, including an annual $25 million increase in the NCC contribution from the General Fund and a $35 million annual increase funded by subvention revenue. For Fiscal Year 2018-19, the County is projecting a deposit to the OPEB Trust in the amount of $182.9 million. Based on current projections for the OPEB Pre-funding Plan, the OPEB ARC will be fully funded by Fiscal Year 2027-28.

In January 2016, LACERA transferred $50 million to the OPEB Trust from an excess retiree health premium reserve account. The transaction was initiated by LACERA, and is un-related to the County’s OPEB Pre-funding Plan. [As of March 31, 2017, the balance of the OPEB Trust was $689.8 million, of which $664.0 million is attributable to the County.] **(TO BE UPDATED)**

Long-Term Disability Benefits

In addition to its Retirement 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 the medical premiums for these individuals.

The County has determined that the liability related to long-term disability benefits is an additional OPEB obligation, which is reported as a component of the OPEB ARC 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 as of (the “2013 LTD Valuation”) and July 1, 2015 (the "2015 LTD Valuation"). In the 2015 LTD Valuation, the AAL for the County’s long-term DBP was $1.090 billion, which represents a 15.3% increase from the $946 million AAL reported in the 2013 LTD Valuation. As of June 30, 2017, the County's net OPEB obligation of $14.527 billion includes $376.2 million for long-term disability benefits.

In Fiscal Years 2015-16 and 2016-17, the County made total DBP payments of $37.6 million and $38.8 million, respectively. For Fiscal Year 2017-18, the County is estimating total DBP payments of $41.3 million. For Fiscal Year 2018-19, the County is projecting total DBP payments in the amount of $42.2 million. The annual “pay-as-you-go” DBP payments are accounted for as an offset to the OPEB obligation in the CAFR.

FEDERAL AUDIT

In February 2016, the Internal Revenue Service (“IRS”) initiated a compliance examination of the County’s Tax Year 2014 payroll tax returns and Form 1099 submissions. During the examination, the IRS expanded the scope to include Tax Year 2015. The examination concluded in April 2017 and consisted of a comprehensive review of County salaries, employee benefits, and payments to vendors to determine compliance with federal tax laws and regulations. The IRS identified some minor compliance issues, including the County's underpayment of certain federal employment taxes and penalties related to Form 1099 submissions. These issues were nearly offset by other findings, which concluded the County overpaid the amount of federal employment taxes owed. The net amount owed by the County to the IRS, for both Tax Years examined, was $601.47.

LITIGATION (ADDITIONAL UPDATES TO BE PROVIDED)

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.

Public Safety Cases

A lawsuit was filed against the County in 2013 alleging that the plaintiff had been falsely convicted of murder and served over twenty years in prison. The Court subsequently ordered a new trial based on new evidence. The case was retried and the plaintiff was acquitted. The County settled the case for $15 million, which will be paid in two installments of $8 million and $7 million in Fiscal Years 2017-18 and 2018-19, respectively.

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 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 Sherrif'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. At this time, the cost of compliance for both this DOJ matter, and *Rosas* is still being evaluated.

Social Services Cases

In September 2011, *Duval v. County of Los Angeles, et al.* was filed against the County pursuant to the Civil Rights Act, alleging that plaintiff's civil rights were violated when the Department of Children and Family Services removed plaintiff's son from her custody without parental consent, a warrant or exigent circumstances. On November 3, 2016, a jury awarded the plaintiff $3.1 million in damages. The court later awarded the plaintiff attorneys' fees and costs totaling approximately $3 million, for a total judgment of $6 million. Both the plaintiff and the County have filed notices of appeal.

Tax Cases

In 2007, in *Los Angeles Unified School District v. County of Los Angeles, et al.,* the Los Angeles Unified School District (LAUSD) alleged that the Auditor-Controller improperly calculated statutory pass-through payments related to the Educational Revenue Augmentation Fund ("ERAF") that were payable to LAUSD under redevelopment law. The Court of Appeal reversed a trial court decision in favor of the County, and the County's petition for review was denied by the California Supreme Court. On remand in January 2012, the trial court issued a decision in favor of the County regarding calculation of the statutory payments, which temporarily reduced the County's exposure. On September 7, 2012, LAUSD appealed the trial court's ruling. On June 26, 2013, the Court of Appeal reversed the trial court ruling and sided with LAUSD, holding that the statutory payments to LAUSD should have included a higher share of the ERAF revenue diverted by the "Triple Flip" and Vehicle License Fee swap legislation. The California Supreme Court denied the County's petition for review in October 2013. The Court of Appeal's decisions have resulted in higher statutory pass through payments to school districts and lower pass through payments to the County. Three other districts, Los Angeles Community College District, Montebello Unified School District, and Long Beach Unified School District, subsequently filed lawsuits with the same allegations litigated by LAUSD. The three cases were stayed until August 14, 2014 to allow for a settlement of all ERAF-related litigation. Pursuant to the terms of the settlements, the County paid LAUSD $57.86 million, Los Angeles Community College District $6.95 million, Montebello Unified School District $4.80 million, and Long Beach Unified School District $12.90 million. The remaining payments under the settlement are for County-controlled special districts estimated to total $160,000, which are expected to be fully executed on or before August 1, 2018, bringing the litigation to a close.

Willy Granados v. County of Los Angeles, an action for damages and declaratory and injunctive relief, was filed in November 2006. It seeks to stop the County's collection of the utility user tax ("UUT") to the extent that it is applied to telecommunications services that are no longer subject to the federal excise tax ("FET"). The County Code excludes from the UUT amounts paid for services exempt from the FET. In addition, the suit seeks to recover the allegedly wrongfully collected taxes. The plaintiff also seeks certification as a class action. In 2007, the County filed a demurrer to the complaint, which was sustained. The action was dismissed and the plaintiff appealed. The action was stayed pending a decision in *Ardon v. City of Los Angeles*, where the court ruled in 2011 that a class claim could be brought for a UUT refund. In 2012, the Court of Appeal reversed the dismissal order, resulting in reinstatement of the lawsuit. Litigation activity resumed in 2016, and the plaintiff's motion for class certification was granted in May 2017. The plaintiffs sought $39 million in refunds. The County authorized settlement of the lawsuit for $16.9 million and has set aside reserves in this amount. The terms of the settlement agreement also include a provision for unclaimed funds to revert to the County, thereby potentially reducing the $16.9 million liability. It is anticipated that final resolution of the claim process will occur by early 2019.

Other Cases

In May 2016, the County experienced a phishing email attack that affected multiple departments and resulted in a breach of information for over 750,000 individuals. The County has provided the required notices and is undergoing an investigation into the incident. To date, no evidence suggests that any information has been misused. The County has taken actions to enhance security measures and training for employees to guard against future intrusions. The County does not expect any liability from this incident to adversely affect the County's ability to repay its outstanding lease and debt obligations.

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
06/30/2010	33,433,888	38,839,392	46,646,838	7,807,446	83.26%
06/30/2011	39,452,011	39,193,627	48,598,166	9,404,539	80.65%
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%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2017.

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
2009-10	33,433,888	11.8%	69.9%
2010-11	39,452,011	20.4%	79.4%
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%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2017.

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

	Payments to LACERA				
Fiscal Year	Retirement Fund	OPEB (PAYGO)	OPEB (Prefund)	Pension Bonds Debt Service	Total Pension & OPEB Payments
2011-12	1,026,867	424,030	0	0	1,450,897
2012-13	1,118,514	441,062	448,819	0	2,008,395
2013-14	1,262,754	446,979	0	0	1,709,733
2014-15	1,430,462	450,202	0	0	1,880,664
2015-16	1,383,897	507,698	72,489	0	1,964,084
2016-17	1,334,825	528,908	61,145	0	1,924,878
2017-18	1,503,188 *	560,549 *	120,797 *	0	2,184,534
2018-19	1,617,026 *	599,784 *	182,887 *	0	2,399,697

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 78.8% of the 2018-19 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 11.1% of the 2018-19 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 0.8% of the 2018-19 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 6.8% of the 2018-19 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 2.5% of the 2018-19 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 2017-18 is $23,164,352,326. The 2017-18 Final Adopted Budget included proceeds from taxes of $9,046,684,333, 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.

In terms of its direct fiscal impact on the County, Proposition 26 is likely to result in the loss of approximately $61 million in annual State tax revenue to County road districts, which are separate legal entities responsible for the operation and maintenance of streets and roads in the unincorporated areas of the County. Since the County is unlikely to backfill any reduction in State revenue to the road districts, there is no projected fiscal impact to the County General Fund.

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-23 of this Appendix A, $4.872 billion of the $24.286 billion 2018-19 Recommended General County Budget is received from the Federal government and $6.421 billion is funded by the State. The remaining $12.993 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 47% 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

On March 23, 2018, the President signed into law H.R. 1625, the Consolidated Appropriations Act, 2018, which is an omnibus spending package for the remainder of Federal Fiscal Year (FFY) 2018. The $1.3 trillion spending bill funds Federal government operations through September 30, 2018, the end of FFY 2018. The funding levels reflect those set in the recently enacted Bipartisan Budget Act of 2018 (H.R. 1892), which provided $143.0 billion in additional spending authority, including $63.0 billion for non-defense domestic discretionary programs. The package includes increased funding for many programs of interest to the County, including the Community

Development Block Grant, Public Housing Operating and Capital Funds, and funding for the 2020 Decennial Census.

On February 12, 2018, the President released his Proposed Federal Budget for FFY 2019, which accounts for the new top-line spending limit enacted in the Bipartisan Budget Act. The $4.4 trillion budget proposes $200.0 billion in new infrastructure spending in the form of grants designed to leverage $1.5 trillion in non-federal funding. The proposal also includes $3.0 trillion in spending cuts over the next ten years, including $1.7 trillion in cuts to mandatory entitlement programs such as Medicaid ($199.0 billion), Medicare ($554.0 billion), Supplemental Nutrition Assistance Program ($213.5 billion), and Temporary Assistance for Needy Families ($21.3 billion). It also proposes to eliminate or significantly curtail several discretionary spending programs of interest to the County, including the elimination of the Community Development Block Grant, HOME Investment Partnership program, Community Services Block Grant, State Criminal Alien Assistance program grants and the Public Housing Capital Fund.

The President's Proposed Budget for FFY 2019 is unlikely to be enacted, but rather serves as a messaging document highlighting his priorities. Congress is responsible for passing appropriations legislation to fund the federal government. With the Federal budget for FFY 2018 complete, the House and Senate have turned their attention to FFY 2019, and preliminary hearings have already been conducted by several authorizing and appropriations committees. Based on the top-line spending levels for FFY 2019 that have been agreed to, the County expects that FFY 2019 appropriations for individual programs will be consistent with levels provided in the FFY 2018 omnibus spending package.

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 recession and subsequent recovery, and the most recent economic downturn that started in 2008. 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 has experienced significant improvement to its budget stability and overall financial condition. The State's budgetary decisions in response to the changing economic environment will continue to 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 2015-16 and 2016-17, the County General Fund received $144.3 million and $175.2 million of residual taxes, respectively. The budgeted and estimated residual tax revenue for Fiscal Year 2017-18 is $186.0 million, while the 2018-19 Recommended Budget includes a projected $210.7 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.

2017-18 STATE BUDGET

On June 27, 2017, Governor Brown signed the Fiscal Year 2017-18 State Budget Act (the "2017-18 State Budget Act"), which projected a beginning fund balance surplus from Fiscal Year 2016-17 of $1.622 billion, total revenues and transfers of $125.880 billion, total expenditures of $125.096 billion, and a year-end surplus of $2.406 billion for Fiscal Year 2017-18. Of the projected year-end surplus, $980 million will be allocated to the Reserve for Liquidation of Encumbrances and $1.426 billion will be deposited to the Special Fund for Economic Uncertainties. The 2017-18 State Budget Act provides for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of $8.486 billion, which represents approximately 65% of the Constitutional funding target established under Proposition 2 of 2014.

The 2017-18 State Budget Act is not expected to result in any significant loss of funding to the County with the exception of the following program reductions related to the In-Home Supportive Services Maintenance of Effort (IHSS MOE) and the CalWORKs Single Allocation, as described below.

The 2017-18 State Budget Act includes the Governor's proposal to mitigate the impact of eliminating the IHSS MOE to counties by (1) establishing a base funding level of $1.769 billion in State General Fund contributions to counties over the next four fiscal years; (2) establishing an annual county inflation factor which would be phased in and applied to the base funding level, beginning at zero in Fiscal Year 2017-18, 5% in Fiscal Year 2018-19, and 7% in Fiscal Year 2019-20; and (3) returning collective bargaining to counties.

As a result of the IHSS MOE, the County is projecting total IHSS cost increases of $149.6 million over the next four fiscal years (2017-18 to 2020-21), and total revenue loss/redirections of $79.1 million over the same time period. The primary factors which are expected to drive up costs in the coming years include substantial caseload growth, increases in the minimum wage to $15.00, overtime costs and paid sick leave.

The 2017-18 State Budget Act provides $108.9 million to partially restore funding related to the Governor's proposal in the May Budget Revision to reduce the CalWORK5 Single Allocation by $248.0 million. The CalWORKs Single Allocation provides funding for county functions related to employment services, eligibility determination and administration, Stage 1 Child Care and Cal-Learn. The County estimates that the CalWORKs Single Allocation reduction will result in a funding loss of approximately $46.0 million in Fiscal Year 2017-18.

2018-19 STATE BUDGET

On January 10, 2018, Governor Brown released his Fiscal Year 2018-19 Proposed State Budget (the "Proposed State Budget"), The Proposed State Budget projects a beginning fund balance surplus from Fiscal Year 2017-18 of $5.351 billion, total revenues and transfers of $129.792 billion, total expenditures of $131.690 billion, and a year-end surplus of $3.453 billion for Fiscal Year 2018-19. Of the projected year-end surplus, $1.165 billion would be allocated to the Reserve for Liquidation of Encumbrances and $2.288 billion would be deposited to the Special Fund for Economic Uncertainties. In accordance with the 2014-15 State Budget Act, the Proposed State Budget continued to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund) in the amount of $13.461 billion, which includes a $3.5 million supplemental payment to reach the Constitutional funding target established under Proposition 2 in 2014.

The key funding priorities addressed in the Proposed State Budget include: continued funding for the expansion of health care coverage for low-income residents under the Affordable Care Act; provides the first full year of funding for the Road Repair and Accountability Act of 2017 (the State's 10-year Transportation Infrastructure Plan); and proposes an additional $3.1 billion to fully fund the K-12 Local Control Funding Formula, bringing total funding for this program to $78.3 billion in Fiscal Year 2018-19.

The items of major interest to the County include the following:

<u>Voting Systems Update and Replacement.</u> The Governor's Budget includes a one-time State General Fund augmentation of $134.3 million to support the purchase of all necessary hardware, software, and initial licensing for the replacement of voting systems and technology statewide. This funding will be made available to all counties with a 50 percent match requirement. [The County's estimated share of this funding in Fiscal Year 2018-19 is $XX.X million.]

<u>2020 Census Funding.</u> The Governor's Budget proposes $40.3 million to support statewide outreach and other census related activities to support the U.S. Census Bureau for the 2020 Census The statewide funding represents a $30.3 million increase from Fiscal Year 2017-18, and provides up to $10.0 million of funding (including $7.0 million allocated to counties) in the form of Local Update of Census Address Grants. [The County is expected to receive $X.X million of this funding in Fiscal Year 2018-19.

<u>In-Home Supportive Services (IHSS).</u> The Governor's Budget includes $11.2 billion ($3.6 billion State General Fund) for the IHSS program in Fiscal Year 2018-19, which represents a 7.7% increase in funding from the State General Fund over the revised funding level in Fiscal Year 2017-18. The State will maintain the existing IHSS MOE annual inflation factor adjustments of 5% in Fiscal Year 2018-19 and 7% in Fiscal Year 2019-20. [The County is expected to receive $X.X million of this funding in Fiscal Year 2018-19.]

<u>County Medi-Cal Administration</u>. The Governor's Budget proposes an increase of $54.8 million ($18.5 million State General Fund) in FY 2018-19 based on an adjustment to the existing funding level using the increase in the California Consumer Price Index. The increase is based on an interim methodology that will be used until a new budgeting methodology is developed for calculating base costs related to county Medi-Cal administration. However, unspent funds will no longer be reallocated to counties that overspend their allocation. [The County's estimated share of the increased funding in Fiscal Year 2018-19 is $XX.X]

<u>Emergency Child Care Bridge Program for Foster Children.</u> The Proposed State Budget includes $30.5 million in funding for Fiscal Year 2018-19. This program provides emergency child care vouchers for foster youth caregivers, access to a child care navigator, and trauma-informed care training for foster youth

child care providers. The County expects to receive $5.5 million of the total $30.5 million statewide funding in Fiscal Year 2018-19.

State-County Partnerships on Incompetent to Stand Trial. The Governor's Budget includes $117.3 million of statewide funding for State-county partnerships to address the increasing need for Incompetent to Stand Trial (1ST) placement options. [The County's estimated share of the statewide funding for this program in Fiscal Year 2018-19 is $XX.X million]

2011 Public Safety Realignment Funding. The Governor's Budget projects an increase in funding for the AB 109 Program from the statewide base allocation of $1.24 billion in Fiscal Year 2017-18 to $1.33 billion in Fiscal Year 2018-19. The County is expected to receive $412.2 million in AB 109 base allocation funds in Fiscal Year 2018-19, which represents an increase of $26.2 million over the Fiscal Year 2017-18 base allocation.

Community Corrections Performance Incentive Grant. The Governor's Budget includes $106.4 million in statewide funding for the Community Corrections Performance Incentive Grant (SB 678 of 2009), which provides county probation departments performance-based funding when they successfully reduce the number of adult felony probationers going to State prison. The County is expected to receive $36.6 million of SB 678 funds in Fiscal Year 2018-19, which is equal to the County's funding allocation in Fiscal Year 2017-18.

Proposition 57 of 2016. The Governor's Budget includes $29.0 million in 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 expected to receive $7.8 million in Proposition 57 funds in Fiscal Year 2018-9.

Transportation and Infrastructure. The Governor's Budget includes approximately $4.6 billion in new statewide transportation revenue from the first full year of funding under SB 1, the Road Repair and Accountability Act of 2017. Approximately $1.2 billion of the statewide SB 1 revenue will be allocated directly to counties and cities to fund transportation and infrastructure projects. The County is expected to receive approximately $112.0 million of new SB I funding in Fiscal Year 2018-19.

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 previous 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 Net County Cost (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, 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 most recent 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 Year 2009-10 and 2010-11, respectively. After the economic downturn, and with the ongoing recovery in the real estate market, the County has experienced seven 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% and 6.04% in Fiscal Years 2011-12 through 2017-18, respectively.

For Fiscal Year 2017-18, the Assessor reported a Net Local Roll of $1.416 trillion, which represents an increase of 6.04% or $80.6 billion from Fiscal Year 2016-17. The Fiscal Year 2017-18 Net Local Roll represents the largest revenue-producing valuation in the history of the County, and the seventh consecutive year of growth in assessed valuation. The largest factors contributing to the increase in assessed valuation in Fiscal Year 2017-18 are transfers in ownership ($43.5 billion), and an increase in the consumer price index ($24.6 billion).

For the Fiscal Year 2017-18 tax roll, the Assessor estimates that approximately 10.9% of all single-family residential parcels, 11.3% of all residential income parcels and 14.3% 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 that started in 2007, 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 433,000 parcels to their Proposition 13 base year value, with 119,000 parcels still eligible for potential restorations in value.

Based on a preliminary forecast, the County is projecting a 5.74% increase in the Net Local Roll for Fiscal Year 2018-19. The Assessor is scheduled to issue their official forecast in May 2018, and release the final property tax roll for Fiscal Year 2018-19 in July 2018.

FISCAL YEAR 2017-18 FINAL ADOPTED BUDGET

The Fiscal Year 2017-18 Final Adopted Budget (the “2017-18 Final Adopted Budget”) was approved by the Board of Supervisors on September 26, 2017. The 2017-18 Final Adopted Budget appropriates $31.605 billion, which reflects a $1.722 billion or 5.8% increase in total funding requirements from the Fiscal Year 2016-17 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $24.324 billion, which represents a $1.333 billion or 5.8% increase from the Fiscal Year 2016-17 Final Adopted Budget. The 2017-18 Final Adopted Budget appropriates $7.281 billion for Special Funds/District, reflecting a $389 million or 5.6% increase from the Fiscal Year 2016-17 Final Adopted Budget.

The primary changes to the NCC component of the 2017-18 Final Adopted Budget are outlined in the following table.

Fiscal Year 2017-18 NCC Budget Changes

Public Assistance Changes	**$ 24,332,000**
Unavoidable Cost Increases	
Health Insurance Subsidy	38,464,000
Pension Costs	32,066,000
Employee Salaries	93,621,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Cost Changes	14,476,000
Program Changes	
Correctional Mental Health Services	9,968,000
Juvenile Indigent Defense	6,939,000
Data Center	13,271,000
Women & Girls Initiative	1,115,000
Affordable Housing & Economic Development	10,200,000
Other Public Safety Programs	7,527,000
Health Services Program Changes	2,513,000
Correctional Treatment Facility Debt Service	17,200,000
Other Debt Service	2,826,000
All Other Program Changes	9,128,000
Fiscal Policies	
Appropriation for Contingency	2,379,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	**316,025,000**
Revenue Changes	
Property Taxes	283,001,000
Property Taxes - CRA Dissolution Residual	14,555,000
Public Safety Sales Tax	13,996,000
Various Revenue Changes	4,473,000
Total Locally Generated Revenue	**316,025,000**
Total Projected Budget Gap	$ -

Public Assistance Changes

The increase in funding for Public Assistance in the 2017-18 Final Adopted Budget is primarily related to a $23.4 million increase in the IHSS Program.

Unavoidable Cost Increases

<u>Salaries and Employee Benefits</u> - Unavoidable cost increases are primarily the result of previously approved increases in salaries and employee benefits. The current labor agreements provide for a 10% increase over three (3) years, beginning in Fiscal Year 2015-16.

<u>Prefund Retiree Healthcare Benefits</u> – The 2017-18 Final Adopted Budget appropriates $121.2 million in pre-funding contributions to the OPEB Trust Fund. This appropriation is comprised of $50 million in NCC and $71.2 million in projected subvention revenue to be received from Federal, State and other local government entities. This is the third 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 2017-18 Final Adopted Budget includes $80.7 million of adjustments to various County programs, including increases for public safety, social services and health and mental health services.

Fiscal Policies

The County budget policy (the "Budget Policy") requires the establishment of a Rainy Day Fund as a hedge against future economic uncertainties, with a target funding amount equivalent to 10% of ongoing locally generated revenues. The current balance of the Rainy Day Fund is $448.3 million, which is approximately 7.4% of discretionary revenues.

On September 30, 2014, the County updated the Budget Policy to require that between 5% to 10% of new ongoing discretionary revenues be set aside during the budget process in the Appropriation for Contingency as a hedge against unforeseen budget issues that may occur during any fiscal year. As part of the 2017-18 Final Adopted Budget, $29.7 million was set aside in the Appropriation for Contingency, which reflects 10% of discretionary revenues. In addition, the revised Budget Policy requires that $5.0 million be allocated annually for deferred maintenance needs as part of the Recommended Budget.

Revenue Changes

As the local economy continues to improve, the County's primary revenue sources are expected to show continued growth in Fiscal Year 2017-18. The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. Based on the 6.04% increase in the Net Local Roll, the 2017-18 Final Adopted Budget includes a $283.0 million increase in property tax revenues. The 2017-18 Final Adopted Budget also includes a $14.6 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 2.6% growth factor in its overall statewide sales tax projection for the 2017-18 Final Adopted Budget. Based on the 2.6% growth rate, the County is projecting a $14.0 million increase in Proposition 172 Sales Tax in Fiscal Year 2017-18.

FISCAL YEAR 2018-19 RECOMMENDED BUDGET

The Fiscal Year 2018-19 Recommended Budget (the "2018-19 Recommended Budget") was approved by the Board of Supervisors on April 10, 2018. The 2018-19 Recommended Budget appropriates $30.805 billion, which reflects an $800 million or 2.5% decrease in total funding requirements from the 2017-18 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $24.286 billion, which represents a $38 million or 0.2% decrease from the 2017-18 Final Adopted Budget. The 2018-19 Recommended Budget appropriates $6.519 billion for Special Funds/District, reflecting a $762 million or 10.5% decrease from the Fiscal Year 2017-18 Final Adopted Budget.

The primary changes to the ongoing NCC component of the 2018-19 Recommended Budget are outlined in the following table.

Fiscal Year 2018-19 NCC Budget Changes

Public Assistance Changes	**$(852,000)**
Unavoidable Cost Increases	
Health Insurance Subsidy	43,024,000
Pension Costs	43,027,000
Employee Salaries	148,837,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Maintenance of Effort Requirements	5,442,000
Program Changes	
Affordable Housing	15,000,000
Public Safety Programs	23,936,000
Debt Service	9,065,000
Other Changes	(6,023,000)
All Other Program Changes	1,299,000
Fiscal Policies	
Appropriation for Contingency	1,155,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	**313,910,000**
Revenue Changes	
Property Taxes	277,572,000
Property Taxes - CRA Dissolution Residual	24,715,000
Public Safety Sales Tax	6,684,000
Various Locally Generated Revenues	4,939,000
Total Locally Generated Revenue	**313,910,000**
Total Projected Budget Gap	$ -

Public Assistance Change

The decrease in funding for Public Assistance in the 2018-19 Recommended Budget is primarily related to a projected $2.3 million decrease in General Relief expenditures, as well as a $1.6 million decrease primarily due to a reduction in the CalWORKs caseload. The cost decreases are partially offset by increases in a variety of other Public Assistance programs.

Unavoidable Cost Increases

Salaries and Employee Benefits - Unavoidable cost increases are primarily the result of previously approved salaries and employee benefits increases, as well as yet to be determined salary and benefit increases that are subject to negotiations with County's collective bargaining units, and expected to take effect in Fiscal Year 2018-19. The current labor agreements provide for a 10% increase over three (3) years, beginning in 2015-16.

Prefund Retiree Healthcare Benefits – The 2018-19 Recommended Budget appropriates $182.9 million in pre-funding contributions to the OPEB Trust Fund. This appropriation is comprised of $75.0 million in NCC and $107.9 million in projected subvention revenue received from Federal, State and other local government entities. This is the fourth 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 2018-19 Recommended Budget includes $43.3 million of adjustments to various programs in the 2017-18 Final Adopted Budget, including increases for public safety, social services and health and mental services.

Fiscal Policies

The current balance of the Rainy Day Fund is $448.3 million, which is approximately 7.0% of discretionary revenues. As part of the 2018-19 Recommended Budget, $1.2 million was added to Appropriation for Contingencies, raising the amount to $30.9 million, which reflects 10% of new discretionary revenues. The 2018-19 Recommended Budget also includes a $5 million allocation for deferred maintenance needs.

Revenue Changes

As the local economy continues to improve, the County's primary revenue sources are expected to experience continued growth in Fiscal Year 2018-19. The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. Based on the 5.74% projected growth in the Assessment Roll, the 2018-19 Recommended Budget includes a $277.6 million increase in property tax revenues. The 2018-19 Recommended Budget also includes a $24.7 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 has assumed a 2.0% growth factor in its overall statewide sales tax projection for the 2018-19 Recommended Budget. Based on the 2.0% growth rate, the County is projecting a $6.7 million increase in Proposition 172 Sales Tax in Fiscal Year 2018-19.

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, eleven 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 1,000 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 exceeded the combined total of DHS revenues and the annual subsidies from the County General Fund, which resulted in an ongoing structural deficit for DHS. DHS has been able to cover its structural deficits by developing new revenue sources, implementing operational efficiencies and hiring freezes, and using one-time reserve funds.

DHS' fiscal outlook has improved from prior years, primarily due to new revenues that were part of the previous five-year Section 1115 Hospital Financing Waiver which became effective in November 2010, the new Medi-Cal 2020 Waiver which became effective in December 2015, (collectively referred to as the "Waiver") and the implementation of the Affordable Care Act (the "ACA") which became effective January 1, 2014. As a result of the ACA implementation, DHS has experienced a significant reduction in the number of uninsured patients, providing an overall fiscal benefit. Since the ACA has resulted in an expanded revenue base for DHS, the budgetary pressures on DHS have been significantly reduced. Furthermore, as explained below, Assembly Bill (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

New Section 1115 Hospital Financing Waiver

On December 30, 2015, the Federal Centers for Medicaid and Medicare Services (CMS) approved Medi-Cal 2020 – a five year renewal of the Waiver, which could provide the State with over $6.2 billion in new Federal funding.

The renewed Waiver features new programs that are designed to improve care for the State's Medi-Cal and remaining uninsured patients, and may result in additional Federal funding for the County over the five-year term of the new Waiver. The primary features of the new 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 is a payment reform program for services provided to uninsured patients in California's Public Health Care system.

- Whole Person Care is a series of pilot programs designed to provide more integrated care to the highest-risk and most vulnerable patients. The pilot programs are chosen based on a competitive application process. The Department has been awarded the maximum amount of $90.0 million annually over the 5-year Waiver term.

Affordable Care Act

The ACA provided the framework for the 2010 Waiver by allowing an early implementation of some of the law's coverage expansion provisions, which resulted in early enrollment for many uninsured DHS patients. The ACA's Medicaid Coverage Expansion ("MCE") program provides Medi-Cal coverage for citizens or legal residents who are uninsured adults (ages 19-64) with incomes at or below 138% of the Federal poverty level. As the ACA became effective on January 1, 2014, the early enrollees were automatically transitioned to coverage under the MCE program. The MCE program has significantly improved DHS' payer mix and provided additional revenues as previously uninsured patients have transitioned to Medi-Cal coverage.

At this time, the Medicaid provisions under the ACA remain in place. However, the tax reform bill that passed Congress late last year (the "Tax Cuts and Jobs Act of 2017"), included a repeal of the Affordable Care Act's individual mandate starting in 2019. A repeal of the individual mandate is likely to result in higher premiums on the health insurance exchanges. However, DHS does not anticipate any significant revenue impact.

Assembly Bill 85

Based on the implementation of the ACA and the expected reduction in the number of uninsured patients, the State proposed a restructuring of its relationship to the counties in terms of the State's funding of health care and human services programs that have been in place since the 1991-92 Realignment Program. Negotiations between the State and the counties regarding the State's proposed reductions ultimately resulted in the enactment of AB 85 (amended by SB 98). This legislation details the methodology that will be used to determine the amount of realignment revenue that will be "redirected" from the County's Realignment Revenue Health Subaccount to the County's Family Support Subaccount, which benefits social services programs. The County was able to negotiate its own agreement with the State and a formula that is different than that of the other counties in the State.

The County's unique formula takes into account the entire DHS budget and includes cost caps, revenue requirements, specific sharing ratios, and a County MOE. A mathematical formula is used to determine whether there are "excess" funds available for "redirection" of 1991-92 Realignment Program 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 resulting from the formula calculation, 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 Year 2013-14 was $0 and for 2014-15, the redirection amount was $365.5 million. The current projected redirection amounts for Fiscal Years 2015-16, 2016-17, and 2017-18 are $291.4 million, $134.6 million, and $0, respectively. However, the redirection amounts for Fiscal Years 2016-17 and 2017-18 will have to be recalculated due to the recent CMS approval of two new revenue producing programs that replace programs that expired June 30, 2017. The County expects the redirection payback to the State will be larger due to increased revenue to DHS from these new programs. The new programs are described in the "Managed Care Rule" section below.

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 2017-18 is $339.5 million. The MOE provides a stable and ongoing source of funding for DHS from the County General Fund.

General Fund Contributions

The Fiscal Year 2017-18 NCC contribution to DHS is $990.6 million, 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. Due to the improvement in DHS' revenue streams as noted previously, the pressure on the County General Fund has stabilized due to the fixed AB 85 MOE. Furthermore, the additional funding from the County General Fund for DHS programs related to the homeless and correctional health services represent strategic investments by the Board of Supervisors and transfers from other County departments, which are not related to cost increases as the result of budgetary pressures from DHS' operations.

DHS NCC Contribution
FY 2018-19 Recommended Budget
($ in millions)

	Amount
County General Fund - AB 85 MOE	$ 342.9
County General Fund - Specific Programs [A]	334.5
Vehicle License Fees Realignment	279.3
Tobacco Settlement Revenue	57.0
Transfers to Other Budget Unit [B]	(23.1)
Total	$ 990.6

[A] Includes funding for Board initiatives, such as homeless services and correctional health services.

[B] 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 and ambulatory care 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. The Hospital Funds typically receive cash reimbursement several months after the County has delivered and paid for services. As of February 28, 2018, the balance of General Fund cash advances to the Hospital Funds was $365.7 million.

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. The State has preliminarily completed the audit for Fiscal Year

2015-16, with an estimated value of $57.8 million. The audits for Fiscal Years 2016-17 and 2017-18 are pending at this time. As of March 21, 2018, the total estimated receivable balance is $122.4 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 2018-19 will be determined during the fiscal year-end closing process.

As part of the annual process to set rates for the managed care MCE population under the ACA, the California Department of Health Care Services ("DHCS") requested CMS' approval of new MCE rates for Fiscal Year 2017-18. With pending CMS approval of the proposed MCE rates, DHS continues to be paid based on the existing approved rates. Upon CMS' approval of the Fiscal Year 2017-18 rates, retroactive paybacks will be applied and are expected to be completed around June 2018. DHS has set up a reserve to account for the repayment and expects no impact on DHS' revenue.

DHS Reserve Funds

In Fiscal Year 2016-17, DHS closed the year with a Fund Balance of $661.4 million, and is expected to close Fiscal Year 2017-18 with a Fund Balance of $692.6 million. The Fund Balance is available to fund DHS operations in the future, as needed.

Managed Care Rule

The new rules governing Medicaid Managed Care (the "Managed Care Rule") prohibit directed payments and pass-through payments effective June 30, 2017. DHS had previously received such payments, and has worked with the State on proposals that would replace this revenue stream by providing additional payments that comply with the limitations and exceptions of the Managed Care Rule.

The two proposals that were submitted to CMS to meet the new managed care requirements are the Quality Improvement Program (QIP) and the Enhanced Payment Program (EPP). The QIP will provide 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. The QIP and EPP proposals were recently approved by CMS for Fiscal Year 2017-18. The State is currently preparing a request to CMS to continue the QIP and EPP programs for Fiscal Year 2018-19.

The State has also submitted another proposal for CMS approval to obtain additional payments for public hospitals related to Graduate Medical Education (GME) and Indirect Medical Education (IME) for Medi-Cal managed care beneficiaries. These proposed payments would 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. If approved, the effective date would be January 2017. The GME/IME proposal is currently awaiting CMS approval.

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 "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.

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 2016-17, the County received $64.5 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.

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BUDGET TABLES

The 2018-19 Recommended Budget is supported by $5.630 billion in property tax revenue, $4.872 billion in Federal funding, $6.421 billion in State funding, $84 million in cancelled obligated fund balance, $1.399 billion in Fund Balance and $5.880 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 2018-19 Recommended Budget with the 2017-18 Final Adopted Budget.

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

Fund	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Recommended 2018-19
General Fund	$ 17,206,258	$ 17,782,636	$ 18,532,749	$ 19,589,641	$ 20,856,959	$ 21,208,901
Hospital Enterprise Fund	2,803,170	3,165,359	3,195,948	3,401,444	3,466,796	3,076,665
Total General County Budget	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 24,285,566**

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

	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Recommended 2018-19
Requirements						
Social Services	$ 5,846,911	$ 6,206,407	$ 6,446,374	$ 6,859,438	$ 7,200,237	$ 7,141,751
Health	6,208,232	6,373,399	6,590,413	7,135,235	8,040,428	8,309,828
Justice	5,146,062	5,442,540	5,674,407	5,973,130	5,823,573	5,899,378
Other	2,808,223	2,925,649	3,017,503	3,023,282	3,259,517	2,934,609
Total	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 24,285,566**
Revenue Sources						
Property Taxes	$ 4,177,683	$ 4,467,240	$ 4,765,596	$ 5,031,658	$ 5,331,727	$ 5,629,601
State Assistance	5,024,219	5,366,757	5,542,998	5,965,914	6,290,778	6,420,696
Federal Assistance	4,342,123	4,184,128	4,236,481	4,499,196	4,931,647	4,871,815
Other	6,465,403	6,929,870	7,183,622	7,494,317	7,769,603	7,363,454
Total	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 24,285,566**

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

	Final 2013-14	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Recommended 2018-19
Financing Requirements						
Salaries & Employee Benefits	$ 9,671,291	$ 10,353,404	$ 10,988,705	$ 11,537,805	$ 12,254,330	$ 12,783,326
Services & Supplies	7,138,148	7,362,617	7,696,979	8,148,441	8,511,618	8,500,740
Other Charges	3,901,664	4,082,120	3,878,926	4,252,725	4,483,734	4,465,574
Capital Assets	982,969	946,383	864,488	868,341	951,628	816,730
Other Financing Uses	619,569	263,903	595,100	509,535	723,265	604,859
Appropriations for Contingencies	-	5,000	15,919	27,375	29,754	30,909
Interbudget Transfers[1]	(1,417,786)	(1,054,758)	(1,411,193)	(1,370,514)	(1,678,129)	(1,622,664)
Gross Appropriation	$ 20,895,855	$ 21,958,669	$ 22,628,924	$ 23,973,708	$ 25,276,200	$ 25,579,474
Less: Intrafund Transfers	944,775	990,638	1,008,980	1,063,876	1,259,379	1,351,467
Net Appropriation	$ 19,951,080	$ 20,968,031	$ 21,619,944	$ 22,909,832	$ 24,016,821	$ 24,228,007
Provision for Obligated Fund Balance						
General Reserve	$ -	$ -	$ -	$ -	$ -	$ -
Other	-	-	-	-	16,093	-
Assigned for Rainy Day Funds	35,033	24,274	31,414	27,882	39,000	-
Committed Fund Balance	23,315	(44,310)	77,339	53,371	251,841	57,559
Total Financing Requirements	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 24,285,566**
Available Financing						
Fund Balance	$ 1,497,581	$ 1,566,263	$ 1,750,126	$ 1,824,822	$ 1,982,626	$ 1,399,037
Cancel Provision for Obligated Fund Balance	239,852	143,419	282,930	216,915	348,499	84,355
Property Taxes: Regular Roll	4,123,069	4,414,842	4,705,966	4,971,696	5,271,414	5,569,018
Supplemental Roll	54,614	52,398	59,630	59,962	60,313	60,583
Revenue	14,094,312	14,771,073	14,930,045	15,917,690	16,660,903	17,172,573
Total Available Financing	**$ 20,009,428**	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 24,285,566**

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 $1.6 billion in 2018-19, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations to $25.9 billion.

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF 2017-18 FINAL ADOPTED BUDGET TO 2018-19 RECOMMENDED BUDGET
Net Appropriation: By Function
(In thousands)

Function		2017-18 Final (1)		2018-19 Recommended (2)		Difference	Percentage Difference
REQUIREMENTS							
General							
General Government	$	1,097,542.0	$	1,172,508.0	$	74,966.0	6.83%
General Services		830,636.0		693,663.0		(136,973.0)	-16.49%
Public Buildings		885,459.0		782,680.0		(102,779.0)	-11.61%
Total General	$	2,813,637.0	$	2,648,851.0	$	(164,786.0)	-5.86%
Public Protection							
Justice	$	5,471,927.0	$	5,581,578.0	$	109,651.0	2.00%
Other Public Protection		220,570.0		210,606.0		(9,964.0)	-4.52%
Total Public Protection	$	5,692,497.0	$	5,792,184.0	$	99,687.0	1.75%
Health and Sanitation		8,003,723.0		8,273,123.0		269,400.0	3.37%
Public Assistance		7,033,294.0		7,046,868.0		13,574.0	0.19%
Recreation and Cultural Services		376,556.0		368,712.0		(7,844.0)	-2.08%
Insurance and Loss Reserve		67,360.0		67,360.0		-	0.00%
Provision for Obligated Fund Balance		306,934.0		57,559.0		(249,375.0)	-81.25%
Appropriations for Contingencies		29,754.0		30,909.0		1,155.0	3.88%
Total Requirements	**$**	**24,323,755.0**	**$**	**24,285,566.0**	**$**	**(38,189.0)**	**-0.16%**
AVAILABLE FUNDS							
Property Taxes	$	5,331,727.0	$	5,629,601.0	$	297,874.0	5.59%
Fund Balance		1,982,626.0		1,399,037.0		(583,589.0)	-29.44%
Cancelled Prior-Year Reserves		348,499.0		84,355.0		(264,144.0)	-75.79%
Intergovernmental Revenues							
State Revenues							
In-Lieu Taxes	$	374,639.0	$	400,086.0	$	25,447.0	6.79%
Homeowners' Exemption		19,000.0		19,000.0		-	0.00%
Public Assistance Subventions		865,158.0		893,585.0		28,427.0	3.29%
Other Public Assistance		2,259,536.0		2,246,609.0		(12,927.0)	-0.57%
Public Protection		1,310,342.0		1,337,046.0		26,704.0	2.04%
Health and Mental Health		1,320,018.0		1,390,775.0		70,757.0	5.36%
Capital Projects		117,670.0		111,994.0		(5,676.0)	-4.82%
Other State Revenues		24,415.0		21,601.0		(2,814.0)	-11.53%
Total State Revenues	$	6,290,778.0	$	6,420,696.0	$	129,918.0	2.07%
Federal Revenues							
Public Assistance Subventions	$	2,852,629.0	$	2,817,832.0	$	(34,797.0)	-1.22%
Other Public Assistance		196,816.0		193,071.0		(3,745.0)	-1.90%
Public Protection		116,820.0		105,163.0		(11,657.0)	-9.98%
Health and Mental Health		1,751,152.0		1,740,870.0		(10,282.0)	-0.59%
Capital Projects		105.0		105.0		-	0.00%
Other Federal Revenues		14,125.0		14,774.0		649.0	4.59%
Total Federal Revenues	$	4,931,647.0	$	4,871,815.0	$	(59,832.0)	-1.21%
Other Governmental Agencies		28,339.0		24,153.0		(4,186.0)	-14.77%
Total Intergovenmental Revenues	$	11,250,764.0	$	11,316,664.0	$	65,900.0	
Fines, Forfeitures and Penalties		186,601.0		192,065.0		5,464.0	2.93%
Licenses, Permits and Franchises		57,804.0		58,582.0		778.0	1.35%
Charges for Services		3,703,200.0		4,221,518.0		518,318.0	14.00%
Other Taxes		228,302.0		228,533.0		231.0	0.10%
Use of Money and Property		184,789.0		191,702.0		6,913.0	3.74%
Miscellaneous Revenues		648,181.0		473,718.0		(174,463.0)	-26.92%
Operating Contribution from General Fund		401,262.0		489,791.0		88,529.0	22.06%
Total Available Funds	**$**	**24,323,755.0**	**$**	**24,285,566.0**	**$**	**(38,189.0)**	**-0.16%**

(1) Reflects the 2017-18 Final Adopted General County Budget approved by the Board of Supervisors on September 26, 2017
(2) Reflects the 2018-19 Recommended General County Budget approved by the Board of Supervisors on April 10, 2018

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2017-18 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	$	1,097,542.0	$	-	$	1,097,542.0
General Services		830,636.0		-		830,636.0
Public Buildings		885,459.0		-		885,459.0
Total General	$	2,813,637.0	$	-	$	2,813,637.0
Public Protection						
Justice	$	5,471,927.0	$	-	$	5,471,927.0
Other Public Protection		220,570.0		-		220,570.0
Total Public Protection	$	5,692,497.0	$	-	$	5,692,497.0
Health and Sanitation	$	4,536,927.0	$	3,466,796.0	$	8,003,723.0
Public Assistance		7,033,294.0		-		7,033,294.0
Recreation and Cultural Services		376,556.0		-		376,556.0
Insurance and Loss Reserve		67,360.0		-		67,360.0
Provision for Obligated Fund Balance		306,934.0		-		306,934.0
Appropriation for Contingency		29,754.0		-		29,754.0
Total Requirements	**$**	**20,856,959.0**	**$**	**3,466,796.0**	**$**	**24,323,755.0**
AVAILABLE FUNDS						
Property Taxes	$	5,331,727.0	$	-	$	5,331,727.0
Fund Balance		1,982,626.0		-		1,982,626.0
Cancel Provision for Obligated Fund Balance		115,735.0		232,764.0		348,499.0
Intergovernmental Revenues						
State Revenues						
In-Lieu Taxes	$	374,639.0	$	-	$	374,639.0
Homeowners' Exemption		19,000.0		-		19,000.0
Public Assistance Subventions		865,158.0		-		865,158.0
Other Public Assistance		2,259,536.0		-		2,259,536.0
Public Protection		1,310,342.0		-		1,310,342.0
Health and Mental Health		1,271,956.0		48,062.0		1,320,018.0
Capital Projects		117,670.0		-		117,670.0
Other State Revenues		24,415.0		-		24,415.0
Total State Revenues		6,242,716.0		48,062.0		6,290,778.0
Federal Revenues						
Public Assistance Subventions	$	2,842,452.0	$	10,177.0	$	2,852,629.0
Other Public Assistance		196,816.0		-		196,816.0
Public Protection		116,820.0		-		116,820.0
Health and Mental Health		1,346,067.0		405,085.0		1,751,152.0
Capital Projects		105.0		-		105.0
Other Federal Revenues		14,125.0		-		14,125.0
Total Federal Revenues	$	4,516,385.0	$	415,262.0	$	4,931,647.0
Other Governmental Agencies		28,339.0		-		28,339.0
Total Intergovenmental Revenues	$	10,787,440.0	$	463,324.0	$	11,250,764.0
Fines, Forfeitures and Penalties		186,601.0		-		186,601.0
Licenses, Permits and Franchises		57,678.0		126.0		57,804.0
Charges for Services		1,797,496.0		1,905,704.0		3,703,200.0
Other Taxes		228,302.0		-		228,302.0
Use of Money and Property		184,700.0		89.0		184,789.0
Miscellaneous Revenues		184,654.0		463,527.0		648,181.0
Operating Contribution from General Fund		-		401,262.0		401,262.0
Total Available Funds	**$**	**20,856,959.0**	**$**	**3,466,796.0**	**$**	**24,323,755.0**

(1) Reflects the 2017-18 Final Adopted General County Budget approved by the Board of Supervisors on September 26, 2017

COUNTY OF LOS ANGELES
RECOMMENDED BUDGET 2018-19 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	$ 1,172,508.0	$ -	$ 1,172,508.0
General Services	693,663.0	-	693,663.0
Public Buildings	782,680.0	-	782,680.0
Total General	$ 2,648,851.0	$ -	$ 2,648,851.0
Public Protection			
Justice	$ 5,581,578.0	$ -	$ 5,581,578.0
Other Public Protection	210,606.0	-	210,606.0
Total Public Protection	$ 5,792,184.0	$ -	$ 5,792,184.0
Health and Sanitation	$ 5,196,458.0	$ 3,076,665.0	$ 8,273,123.0
Public Assistance	7,046,868.0	-	7,046,868.0
Recreation and Cultural Services	368,712.0	-	368,712.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	57,559.0	-	57,559.0
Appropriation for Contingency	30,909.0	-	30,909.0
Total Requirements	**$ 21,208,901.0**	**$ 3,076,665.0**	**$ 24,285,566.0**
AVAILABLE FUNDS			
Property Taxes	$ 5,629,601.0	$ -	$ 5,629,601.0
Fund Balance	1,399,037.0	-	1,399,037.0
Cancel Provision for Obligated Fund Balance	26,751.0	57,604.0	84,355.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 400,086.0	$ -	$ 400,086.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	893,585.0	-	893,585.0
Other Public Assistance	2,246,609.0	-	2,246,609.0
Public Protection	1,337,046.0	-	1,337,046.0
Health and Mental Health	1,346,988.0	43,787.0	1,390,775.0
Capital Projects	111,994.0	-	111,994.0
Other State Revenues	21,601.0	-	21,601.0
Total State Revenues	6,376,909.0	43,787.0	6,420,696.0
Federal Revenues			
Public Assistance Subventions	$ 2,813,280.0	$ 4,552.0	$ 2,817,832.0
Other Public Assistance	193,071.0	-	193,071.0
Public Protection	105,163.0	-	105,163.0
Health and Mental Health	1,416,645.0	324,225.0	1,740,870.0
Capital Projects	105.0	-	105.0
Other Federal Revenues	14,774.0	-	14,774.0
Total Federal Revenues	$ 4,543,038.0	$ 328,777.0	$ 4,871,815.0
Other Governmental Agencies	24,153.0	-	24,153.0
Total Intergovenmental Revenues	$ 10,944,100.0	$ 372,564.0	$ 11,316,664.0
Fines, Forfeitures and Penalties	192,065.0	-	192,065.0
Licenses, Permits and Franchises	58,456.0	126.0	58,582.0
Charges for Services	2,352,635.0	1,868,883.0	4,221,518.0
Other Taxes	228,533.0	-	228,533.0
Use of Money and Property	191,588.0	114.0	191,702.0
Miscellaneous Revenues	186,135.0	287,583.0	473,718.0
Operating Contribution from General Fund	-	489,791.0	489,791.0
Total Available Funds	**$ 21,208,901.0**	**$ 3,076,665.0**	**$ 24,285,566.0**

(1) Reflects the 2018-19 Recommended General County Budget approved by the Board of Supervisors on April 10, 2018

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.

LARGEST TAXPAYERS

The twenty largest taxpayers in the County included on the Fiscal Year 2017-18 secured 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 $41,246,376,188 which constitutes only _____% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2017-18
Southern California Edison Co	$98,516,731
Maguire Properties	48,602,737
Douglas Emmett Residential	45,967,366
Universal Studios LLC	29,423,472
Chevron USA Inc / TEXACO / UNOCAL	27,776,295
Southern California Gas Co	27,750,212
Tishman Speyer / Archstone Smith / ASN	26,070,775
TESORO Refining and Marketing Co	24,709,467
Prologis / AMB	22,763,134
AT&T Communications	22,411,612
ESSEX Portfolio LP	18,320,770
Phillips 66	15,189,937
Frontier Communications	13,418,057
Macerich / Westside Pavilion	11,811,258
Beacon Oil Co / Ultramar / Valero Energy Co	11,732,538
Kaiser Foundation	11,258,680
FSP South Flower Street	11,184,113
CBS Inc / Paramount Pictures Corp	10,800,510
PBF Energy	10,525,380
Participants in Long Beach Unit	10,226,048
	$498,459,092

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 2013-14 through 2017-18.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2013-14 THROUGH 2017-18

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 %
2013-14	1,085,743,685,894	2,662,214,197	2,623,480,895	98.55%
2014-15	1,146,946,428,176	2,814,475,757	2,773,124,193	98.53%
2015-16	1,218,549,285,645	2,951,107,847	2,919,629,056	98.93%
2016-17	1,287,688,313,197	3,144,947,550	3,111,401,116	98.93%
2017-18	TBD	TBD	TBD [3]	TBD [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 community redevelopment agencies are excluded. See "Redevelopment Agencies".
(2) Reflects collection within the fiscal year originally levied.
(3) Preliminary estimate based on Fiscal Year 2016-17 collections.

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 2013-14 through 2017-18.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2013-14 THROUGH 2017-18

Fiscal Year	Full Cash Value Increments [1]	Total Tax Allocations [2]
2013-14	149,910,987,097	1,282,940,191
2014-15	159,180,996,812	1,327,755,469
2015-16	171,855,943,160	1,477,752,454
2016-17	184,568,536,419	1,069,567,615
2017-18	197,952,598,205	991,207,258 [3]

(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.
(3) Total CRA Tax Allocations from November 2017 through February 2018.

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.

2017-18 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 9, 2017, the County issued the 2017-18 TRANs with an aggregate principal amount of $800,000,000 due on June 30, 2018. The 2017-18 TRANs are general obligations of the County attributable to Fiscal Year 2017-18 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 2017-18 for the purpose of repaying the 2017-18 TRANs on the June 30, 2018 maturity date. The deposits to the Repayment Fund have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2017-18 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date	**Deposit Amount**
December, 2017	$315,000,000
January, 2018	315,000,000
April, 2018	209,555,556
Total	$839,555,556

* Includes $800,000,000 of 2017-18 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 since Fiscal Year 2013-14.

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

	2013-14	2014-15	2015-16	2016-17	2017-18 Estimate
Property Taxes	$4,337,915	$4,581,797	$4,806,915	$5,077,037	$5,325,912
Other Taxes	203,396	204,173	215,228	225,297	217,970
Licenses, Permits and Franchises	65,260	58,488	58,908	60,487	58,950
Fines, Forfeitures and Penalties	212,676	197,663	182,298	178,105	182,034
Investment and Rental Income	104,422	131,053	165,037	178,804	202,434
State In-Lieu Taxes	344,971	407,316	356,888	303,768	190,218
State Homeowner Exemptions	19,715	20,277	19,892	19,673	19,244
Charges for Current Services	1,582,791	1,577,165	1,597,095	1,792,303	1,718,363
Other Revenue*	541,460	622,329	685,637	746,748	628,756
TOTAL UNRESTRICTED RECEIPTS	$7,412,606	$7,800,261	$8,087,898	$8,582,222	$8,543,880

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 nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

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 2016-17 and Fiscal Year 2017-18.

General Fund Cash Flow Statements

The Fiscal Year 2016-17 and Fiscal Year 2017-18 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2016-17, the County had an ending General Fund cash balance of $2.509 billion. In Fiscal Year 2017-18, the County is estimating an ending cash balance in the General Fund of $1.526 billion.

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 February 28, 2018 , 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	$13.281
Schools and Community Colleges	14.507
Independent Public Agencies	2.522
Total	$30.310

Of these entities, the discretionary participants accounted for 7.86% 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 21, 2017, 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 March 30, 2018, the book value of the Treasury Pool as of February 28, 2018 was approximately $31.310 billion and the corresponding market value was approximately $29.884 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 February 28, 2018:

Type of Investment	**% of Pool**
U.S. Government and Agency Obligations	61.67
Certificates of Deposit	11.88
Commercial Paper	26.32
Bankers Acceptances	0.00
Municipal Obligations	0.05
Corporate Notes & Deposit Notes	0.08
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of February 28, 2018 approximately 35.87% of the investments mature within 60 days, with an average of 592 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, 2017, 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 2017-18 Final Adopted Budget included an available General Fund balance of $1,982,626,000 as of June 30, 2017.

The 2017-18 Final Adopted Budget uses the fund balance language of the County Budget Act, which has been updated to reflect Governmental Accounting Standards Board (GASB) Statement No. 54.

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 2016-17 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.

- In conjunction with the implementation of GASB Statement No. 45, 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, 2017.

The tables below provide a reconciliation of the General Fund's June 30, 2017 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 2012-13 to Fiscal Year 2016-17.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2017 (in thousands of $)

Unassigned Fund Balance - Budgetary Basis	$1,982,626
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	177,805
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	157,290
Accrual of liabilities for accrued compensated absences not required by GAAP	78,639
Change in revenue accruals related to encumbrances	(31,095)
Deferral of property tax receivables	(68,582)
Deferral of sale of tobacco settlement revenue	(228,142)
Change in fair value of Investments	(33,538)
Reserve for "Rainy Day" Fund	409,309
Unassigned Fund Balance - GAAP Basis	$2,444,312

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES

BALANCE SHEET AT JUNE 30, 2013, 2014, 2015, 2016 and 2017
GENERAL FUND-GAAP BASIS (in thousands of $)

ASSETS

	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Pooled Cash and Investments	$1,637,765	$1,933,794	$2,678,685	$3,181,151	$4,149,612
Other Investments	5,676	4,810	4,655	4,693	4,483
Taxes Receivable	171,919	169,141	157,215	148,485	159,429
Other Receivables	1,777,034	1,996,683	1,888,537	1,875,029	1,930,937
Due from Other Funds	391,605	283,255	460,987	322,883	308,556
Advances to Other Funds	754,376	885,314	434,849	395,511	167,179
Inventories	47,375	56,790	48,186	59,267	48,824
Total Assets	$4,785,750	$5,329,787	$5,673,114	$5,987,019	$6,769,020

LIABILITIES

Accounts Payable	$321,509	$516,410	$410,671	$545,739	$600,827
Accrued Payroll	309,926	331,045	356,579	374,951	392,096
Other Payables	89,852	111,019	115,998	100,964	102,289
Due to Other Funds	461,480	158,626	271,800	146,886	126,140
Deferred Revenue*	302,656	0	0	0	0
Advances Payable	404,975	575,567	853,441	975,135	1,433,485
Third-Party Payor Liability	15,702	26,207	39,693	39,042	42,051
Total Liabilities	$1,906,100	$1,718,874	$2,048,182	$2,182,717	$2,696,888
DEFERRED INFLOWS OF RESOURCES*		$508,105	$435,109	$420,060	$421,159

FUND BALANCES

Nonspendable	$253,836	$272,007	$272,384	$324,555	$212,281
Restricted	59,786	40,577	55,694	67,880	70,157
Committed	528,865	482,740	334,346	364,679	429,440
Assigned	376,181	538,078	491,954	446,579	494,783
Unassigned	1,660,982	1,769,406	2,035,445	2,180,549	2,444,312
Total Fund Balances	2,879,650	3,102,808	3,189,823	3,384,242	3,650,973
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$4,785,750	$5,329,787	$5,673,114	$5,987,019	$6,769,020

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2013, 2014, 2015, 2016 and 2017.
*The County implemented GASB Statement 65 "Items Previously Reported as Assets and Liabilities" in FY 2013-14. As of June 30, 2014, deferred inflows and outflows of resources are reported in the new required GASB 65 format.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2012-13 THROUGH 2016-17 (in thousands of $)

	2012-13	2013-14	2014-15	2015-16	2016-17
REVENUES:					
Taxes	$4,267,858	$4,520,755	$4,772,762	$5,003,124	$5,333,532
Licenses, Permits & Franchises	61,412	59,886	61,561	60,666	59,197
Fines, Forfeitures and Penalties	222,226	207,094	207,684	189,312	183,400
Use of Money and Property	89,841	128,501	141,816	186,443	155,878
Aid from Other Government	8,182,687	8,395,672	8,574,288	8,939,412	9,377,215
Charges for Services	1,565,937	1,743,447	1,491,656	1,651,883	1,800,657
Miscellaneous Revenues	216,977	152,663	204,966	159,346	172,055
TOTAL	$14,606,938	$15,208,018	$15,454,733	$16,190,186	$17,081,934
EXPENDITURES					
General	$979,989	$998,438	$1,155,070	$1,039,188	$1,159,100
Public Protection	4,694,982	4,843,148	5,136,461	5,418,926	5,546,279
Health and Sanitation	2,779,870	3,204,177	2,931,257	3,161,202	3,460,315
Public Assistance	5,247,031	5,430,398	5,682,198	5,892,530	6,034,942
Recreation and Cultural Services	272,835	282,660	304,895	321,414	341,272
Debt Service	30,816	28,928	27,060	29,600	31,079
Capital Outlay	8,065	2,398	866	547	63
Total	$14,013,588	$14,790,147	$15,237,807	$15,863,407	$16,573,050
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$593,350	$417,871	$216,926	$326,779	$508,884
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	($359,171)	($197,219)	($131,647)	($133,714)	($243,604)
Sales of Capital Assets	740	770	870	807	1,388
Capital Leases	2,780	1,736	866	547	63
OTHER FINANCING SOURCES (USES)-Net	($355,651)	($194,713)	($129,911)	($132,360)	($242,153)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	237,699	223,158	87,015	194,419	266,731
Beginning Fund Balance	2,641,951	2,879,650	3,102,808	3,189,823	3,384,242
Ending Fund Balance	$2,879,650	$3,102,808	$3,189,823	$3,384,242	$3,650,973

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2013, 2014, 2015, 2016 and 2017.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2016-17: 12 MONTHS ACTUAL
2017-18: 9 MONTHS ACTUAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2016-17
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016
PROPERTY TAX GROUP						
Tax Collector Trust Fund	71,266	39,908	37,582	463,777	1,325,747	2,392,482
Auditor Unapportioned Property Tax	195,195	47,582	124,434	168,076	941,269	2,441,476
Unsecured Property Tax	165,820	180,406	114,969	135,267	103,202	61,742
Miscellaneous Fees & Taxes	6,290	6,292	6,313	6,334	6,349	6,348
State Redemption Fund	27,207	40,822	42,469	43,372	26,632	26,150
Education Revenue Augmentation	281,813	324,086	277,000	274,676	299,463	626,191
State Reimbursement Fund	0	0	0	0	440	10,201
Sales Tax Replacement Fund	80,108	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	19,197	122,641	125,978	126,753	218,193
Property Tax Rebate Fund	6,256	9,156	15,734	8,740	7,233	23,201
Utility User Tax Trust Fund	2,187	2,862	5,652	4,551	5,411	10,598
Subtotal	$ 836,142	$ 670,311	$ 746,794	$ 1,230,771	$ 2,842,499	$ 5,816,582
VARIOUS TRUST GROUP						
Departmental Trust Fund	524,304	534,824	504,282	495,200	505,475	515,442
Payroll Revolving Fund	48,458	45,855	41,627	55,889	42,541	40,983
Asset Development Fund	43,579	43,776	43,801	43,817	43,834	43,851
Productivity Investment Fund	4,552	4,528	4,500	4,423	4,388	4,371
Motor Vehicle Capital Outlays	3,826	759	828	828	734	728
Civic Center Parking	34	220	343	339	325	309
Reporters Salary Fund	522	499	501	330	374	340
Cable TV Franchise Fund	12,853	12,624	12,861	13,064	13,003	13,195
Megaflex Long-Term Disability	12,979	12,836	12,906	12,971	12,876	12,852
Megaflex Long-Term Disability & Health	10,007	10,084	10,139	10,244	10,308	10,398
Megaflex Short-Term Disability	48,998	49,281	49,518	49,754	49,980	50,191
Subtotal	$ 710,112	$ 715,286	$ 681,306	$ 686,859	$ 683,838	$ 692,660
HOSPITAL GROUP						
Harbor-UCLA Medical Center	2,088	(14,039)	3,974	4,672	3,876	32
Olive View-UCLA Medical Center	2,165	2,979	713	3,349	1,484	1,600
LAC+USC Medical Center	1,734	12,684	4,823	6,243	7,802	4,001
MLK Ambulatory Care Center	0	0	0	0	0	0
Rancho Los Amigos Rehab Center	43	4,999	3,655	1,196	639	332
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ 6,030	$ 6,623	$ 13,165	$ 15,460	$ 13,801	$ 5,965
GRAND TOTAL	**$ 1,552,284**	**$ 1,392,220**	**$ 1,441,265**	**$ 1,933,090**	**$ 3,540,138**	**$ 6,515,207**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2017	February 2017	March 2017	April 2017	May 2017	June 2017	
						PROPERTY TAX GROUP
766,283	389,103	816,107	2,543,031	701,865	159,080	**Tax Collector Trust Fund**
1,517,573	963,587	573,119	1,715,681	923,897	337,829	**Auditor Unapportioned Property Tax**
57,710	48,316	49,127	45,831	59,913	96,353	**Unsecured Property Tax**
6,379	6,372	6,306	6,363	6,295	6,299	**Miscellaneous Fees & Taxes**
19,767	20,410	23,765	22,751	17,628	21,107	**State Redemption Fund**
443,272	408,286	175,574	449,615	603,428	300,259	**Education Revenue Augmentation**
19,515	1,152	1,152	4,229	18,740	8,133	**State Reimbursement Fund**
0	0	0	0	0	0	**Sales Tax Replacement Fund**
769,359	350,011	677,285	705,509	644,327	0	**Vehicle License Fee Replacement Fund**
19,605	9,842	7,009	8,277	9,112	7,297	**Property Tax Rebate Fund**
15,861	4,926	9,430	10,840	6,328	9,626	**Utility User Tax Trust Fund**
$ 3,635,324	$ 2,202,005	$ 2,338,874	$ 5,512,127	$ 2,991,533	$ 945,983	**Subtotal**
						VARIOUS TRUST GROUP
501,657	489,740	483,514	467,413	462,161	446,643	**Departmental Trust Fund**
61,421	37,803	42,379	51,941	43,143	38,612	**Payroll Revolving Fund**
43,869	44,064	44,143	44,161	44,178	44,252	**Asset Development Fund**
4,931	7,233	6,936	6,403	6,117	5,971	**Productivity Investment Fund**
700	685	666	611	578	578	**Motor Vehicle Capital Outlays**
297	305	281	275	261	283	**Civic Center Parking**
416	367	654	505	409	360	**Reporters Salary Fund**
13,552	13,461	13,784	13,767	13,093	13,519	**Cable TV Franchise Fund**
12,906	12,798	12,708	12,685	12,600	12,628	**Megaflex Long-Term Disability**
10,520	10,549	10,598	10,680	10,759	10,832	**Megaflex Long-Term Disability & Health**
50,581	50,983	51,520	51,986	52,390	52,757	**Megaflex Short-Term Disability**
$ 700,850	$ 667,988	$ 667,183	$ 660,427	$ 645,689	$ 626,435	**Subtotal**
						HOSPITAL GROUP
(2,599)	(525)	1,798	3,517	7,208	(1,618)	**Harbor-UCLA Medical Center**
160	3,698	4,440	702	2,886	548	**Olive View-UCLA Medical Center**
(276)	12,697	2,372	4,402	8,513	3,706	**LAC + USC Medical Center**
0	10	0	0	0	0	**MLK Ambulatory Care Center**
(375)	(4,262)	(768)	(114)	2,595	(607)	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ (3,090)	$ 11,618	$ 7,842	$ 8,507	$ 21,202	$ 2,029	**Subtotal**
$ 4,333,084	**$ 2,881,611**	**$ 3,013,899**	**$ 6,181,061**	**$ 3,658,424**	**$ 1,574,447**	**GRAND TOTAL**

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2017-18
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017
PROPERTY TAX GROUP						
Tax Collector Trust Fund	67,815	54,082	42,716	492,879	1,792,023	2,623,580
Auditor Unapportioned Property Tax	350,252	98,109	98,213	168,073	657,500	2,690,644
Unsecured Property Tax	172,319	111,417	122,125	152,745	160,071	68,705
Miscellaneous Fees & Taxes	6,281	6,266	6,308	6,289	6,321	6,260
State Redemption Fund	25,510	51,284	47,722	46,876	33,068	22,396
Education Revenue Augmentation	192,227	260,588	180,968	166,968	178,183	616,955
State Reimbursement Fund	0	0	0	0	438	11,150
Sales Tax Replacement Fund	0	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	21,638	157,643	171,655	171,667	171,667
Property Tax Rebate Fund	3,952	15,922	12,305	8,716	14,817	11,761
Utility User Tax Trust Fund	1,140	2,320	4,056	7,758	8,173	10,670
Subtotal	$ 819,496	$ 621,626	$ 672,056	$ 1,221,959	$ 3,022,261	$ 6,233,788
VARIOUS TRUST GROUP						
Departmental Trust Fund	464,155	480,556	475,529	468,132	580,608	680,975
Payroll Revolving Fund	54,106	43,191	44,360	59,477	38,262	47,729
Asset Development Fund	44,436	44,277	44,342	44,369	44,388	44,415
Productivity Investment Fund	5,859	5,804	5,758	5,597	5,716	5,503
Motor Vehicle Capital Outlays	578	674	703	703	703	664
Civic Center Parking	164	141	242	263	262	232
Reporters Salary Fund	315	457	254	182	238	331
Cable TV Franchise Fund	13,256	12,603	13,020	12,964	12,939	13,307
Megaflex Long-Term Disability	12,623	12,498	12,471	12,316	12,133	12,114
Megaflex Long-Term Disability & Health	10,912	10,962	11,033	11,124	11,214	11,300
Megaflex Short-Term Disability	53,157	53,578	53,935	54,410	54,723	55,086
Subtotal	$ 659,561	$ 664,741	$ 661,647	$ 669,537	$ 761,186	$ 871,656
HOSPITAL GROUP						
Harbor-UCLA Medical Center	1,035	(1,436)	3,145	3,739	98	(2,096)
Olive View-UCLA Medical Center	4,350	(4,060)	2,164	2,726	834	2,279
LAC+USC Medical Center	3,161	(4,331)	5,142	3,116	1,430	6,100
MLK Ambulatory Care Center	0	0	0	0	1	0
Rancho Los Amigos Rehab Center	133	1,693	449	439	121	2,026
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ 8,679	$ (8,134)	$ 10,900	$ 10,020	$ 2,484	$ 8,309
GRAND TOTAL	**$ 1,487,736**	**$ 1,278,233**	**$ 1,344,603**	**$ 1,901,516**	**$ 3,785,931**	**$ 7,113,753**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2018	February 2018	March 2018	Estimated April 2018	Estimated May 2018	Estimated June 2018	
						PROPERTY TAX GROUP
1,657,829	605,430	594,839	2,415,879	$ 884,308	$ 162,443	**Tax Collector Trust Fund**
1,632,891	1,444,515	595,738	1,715,681	689,780	187,045	**Auditor Unapportioned Property Tax**
68,272	56,764	54,307	45,831	94,621	128,200	**Unsecured Property Tax**
6,394	6,403	6,357	6,363	9,198	8,868	**Miscellaneous Fees & Taxes**
23,112	19,579	17,872	22,751	34,647	25,268	**State Redemption Fund**
507,917	289,170	234,764	449,615	79,607	168,583	**Education Revenue Augmentation**
18,471	1,132	1,132	4,229	29,269	11,261	**State Reimbursement Fund**
0	0	0	0	81,348	0	**Sales Tax Replacement Fund**
651,142	441,584	723,359	705,509	574,415	0	**Vehicle License Fee Replacement Fund**
13,619	25,574	13,008	8,277	0	0	**Property Tax Rebate Fund**
13,224	12,506	8,217	10,840	7,261	11,403	**Utility User Tax Trust Fund**
$ 4,592,871	$ 2,902,657	$ 2,249,593	$ 5,384,975	$ 2,484,454	$ 703,071	**Subtotal**
						VARIOUS TRUST GROUP
480,800	472,336	475,234	467,413	$ 555,784	$ 542,645	**Departmental Trust Fund**
66,343	31,973	37,108	51,941	62,091	51,560	**Payroll Revolving Fund**
44,433	44,458	44,504	44,161	44,000	44,000	**Asset Development Fund**
5,146	4,990	6,217	6,403	6,000	6,000	**Productivity Investment Fund**
623	601	601	611	6,000	6,000	**Motor Vehicle Capital Outlays**
208	294	304	275	239	143	**Civic Center Parking**
545	534	622	505	559	413	**Reporters Salary Fund**
13,443	13,303	13,345	13,767	13,000	13,000	**Cable TV Franchise Fund**
12,057	11,998	11,993	12,685	14,893	14,893	**Megaflex Long-Term Disability**
11,387	11,412	11,459	10,680	9,306	9,306	**Megaflex Long-Term Disability & Health**
55,715	56,065	56,554	51,986	43,310	43,310	**Megaflex Short-Term Disability**
$ 690,700	$ 647,964	$ 657,941	$ 660,427	$ 755,182	$ 731,270	**Subtotal**
						HOSPITAL GROUP
4,210	4,656	1,830	0	0	0	**Harbor-UCLA Medical Center**
1,126	(1,371)	1,658	0	0	0	**Olive View-UCLA Medical Center**
1,777	6,120	3,970	0	0	0	**LAC + USC Medical Center**
0	0	0	0	0	0	**MLK Ambulatory Care Center**
4,086	(800)	183	0	0	0	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 11,199	$ 8,605	$ 7,641	$ -	$ 0	$ 0	**Subtotal**
$ 5,294,770	**$ 3,559,226**	**$ 2,915,175**	**$ 6,045,402**	**$ 3,239,636**	**$ 1,434,341**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2016-17: 12 MONTHS ACTUAL
2017-18: 9 MONTHS ACTUAL

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2016-17
(in thousands of $)

	July 2016	August 2016	September 2016	October 2016	November 2016
BEGINNING BALANCE	$ 2,162,672	$ 2,266,486	$ 1,529,884	$ 914,444	$ 900,176
RECEIPTS					
Property Taxes	$ 35,229	$ 111,497	183	685	$ 45,414
Other Taxes	12,902	11,160	25,259	22,792	14,493
Licenses, Permits & Franchises	3,035	2,784	5,437	3,301	3,010
Fines, Forfeitures & Penalties	31,949	19,504	8,594	9,581	15,302
Investment and Rental Income	23,156	12,127	12,949	9,975	21,122
Motor Vehicle (VLF) Realignment	0	(100,656)	44,036	33,022	32,532
Sales Taxes - Proposition 172	68,898	56,456	56,383	54,105	68,474
1991 Program Realignment	63,177	37,116	51,876	68,330	65,902
Other Intergovernmental Revenue	143,814	197,214	208,806	274,926	276,601
Charges for Current Services	113,667	208,471	68,460	165,137	110,166
Other Revenue & Tobacco Settlement	95,225	47,172	3,498	11,952	57,152
Transfers & Reimbursements	4,607	3,151	0	5,199	15,288
Hospital Loan Repayment*	130,809	122,048	67,323	807,266	49,628
Welfare Advances	317,231	23,881	534,103	357,517	315,866
Other Financing Sources/MHSA	4,819	52,525	0	18,479	67,935
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	800,000	0	0	0	0
Total Receipts	$ 1,848,518	$ 804,450	$ 1,086,907	$ 1,842,267	$ 1,158,885
DISBURSEMENTS					
Welfare Warrants	$ 186,153	$ 222,052	$ 218,878	$ 217,624	$ 209,430
Salaries	461,597	461,902	455,180	462,352	468,580
Employee Benefits	278,678	280,385	252,435	289,293	281,718
Vendor Payments	638,616	408,440	330,088	399,154	459,885
Loans to Hospitals*	0	1,752	348,184	363,417	112,944
Hospital Subsidy Payments	167,531	100,443	96,102	2,386	0
Transfer Payments	12,129	66,078	1,480	122,308	10,192
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$ 1,744,704	$ 1,541,052	$ 1,702,347	$ 1,856,534	$ 1,542,749
ENDING BALANCE	**$ 2,266,486**	**$ 1,529,884**	**$ 914,444**	**$ 900,177**	**$ 516,312**
Borrowable Resources (Avg. Balance)	$ 1,552,284	$ 1,392,220	$ 1,441,265	$ 1,933,090	$ 3,540,138
Total Cash Available	$ 3,818,770	$ 2,922,104	$ 2,355,709	$ 2,833,267	$ 4,056,450

* The net change in the outstanding Hospital Loan Balance is a decrease of $228.63 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017	Total 2016-17
$ 516,312	$ 949,816	$ 1,543,599	$ 1,583,091	$ 1,247,137	$ 2,002,202	$ 2,992,964	
$ 1,233,642	$ 1,170,719	$ 261,844	$ 30,021	$ 852,266	$ 1,088,752	$ 246,785	$ 5,077,037
16,217	13,611	26,750	13,553	25,871	13,207	29,482	225,297
3,831	2,494	5,201	8,834	13,876	3,427	5,257	60,487
7,973	9,209	18,787	14,180	9,671	24,115	9,240	178,105
12,607	8,420	11,873	11,060	24,111	16,024	15,380	178,804
34,156	32,542	33,392	30,979	32,667	118,241	12,857	303,768
54,600	54,065	82,937	50,603	49,580	70,920	56,415	723,436
62,693	55,714	85,714	52,376	51,351	73,578	58,442	726,269
139,094	188,995	377,916	217,684	393,512	193,700	97,558	2,709,820
140,497	277,718	105,271	150,881	155,197	143,369	153,469	1,792,303
88,598	74,516	70,827	84,738	124,741	18,161	70,168	746,748
78,189	22,861	32,863	21,018	15,831	10,889	14,655	224,551
29,918	495,060	49,797	99,209	399,098	180,937	71,442	2,502,535
559,613	358,484	379,361	484,623	389,268	535,288	288,475	4,543,710
14,863	30,542	15,606	29,338	3,381	37,440	50,475	325,403
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	800,000
$ 2,476,491	$ 2,794,950	$ 1,558,139	$ 1,299,097	$ 2,540,421	$ 2,528,048	$ 1,180,100	$ 21,118,273
$ 234,647	$ 196,682	$ 232,267	$ 232,971	$ 225,494	$ 223,095	$ 313,466	$ 2,712,759
485,114	499,163	482,597	469,419	488,519	465,854	471,607	5,671,884
269,023	310,418	292,506	265,886	291,700	292,795	261,132	3,365,969
360,347	497,092	338,144	337,915	377,678	385,991	397,923	4,931,273
330,987	295,392	161,012	196,512	161,966	94,587	207,148	2,273,901
0	0	(1,750)	0	(6,670)	(3,671)	(958)	353,413
23,936	87,420	13,871	132,348	76,669	78,635	14,069	639,135
338,933	315,000	0	0	170,000	0	0	823,933
0	0	0	0	0	0	0	0
$ 2,042,987	$ 2,201,167	$ 1,518,647	$ 1,635,051	$ 1,785,356	$ 1,537,286	$ 1,664,387	$ 20,772,267
$ 949,816	**$ 1,543,599**	**$ 1,583,091**	**$ 1,247,137**	**$ 2,002,202**	**$ 2,992,964**	**$ 2,508,677**	
6,515,207	$ 4,333,084	$ 2,881,611	$ 3,013,899	$ 6,181,061	$ 3,658,424	$ 1,574,447	
$ 7,465,023	$ 5,876,683	$ 4,464,702	$ 4,261,036	$ 8,183,263	$ 6,651,388	$ 4,083,124	

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2016-17
(in thousands of $)

	July 2017	August 2017	September 2017	October 2017	November 2017
BEGINNING BALANCE	$ 2,508,677	$ 2,605,709	$ 2,140,176	$ 1,452,843	$ 1,585,190
RECEIPTS					
Property Taxes	$ 68,299	$ 117,118	1,605	0	$ 46,480
Other Taxes	14,998	10,702	17,563	21,884	22,628
Licenses, Permits & Franchises	3,207	6,168	2,781	4,575	2,244
Fines, Forfeitures & Penalties	35,590	16,716	7,997	9,466	15,321
Investment and Rental Income	25,251	15,092	13,324	24,363	15,493
Motor Vehicle (VLF) Realignment	0	(167,216)	48,826	64,030	34,904
Sales Taxes - Proposition 172	72,935	61,116	56,981	57,075	71,952
1991 Program Realignment	75,552	26,032	102,517	67,871	73,011
Other Intergovernmental Revenue	133,916	508,397	154,524	231,268	272,552
Charges for Current Services	92,934	198,780	83,723	176,749	98,437
Other Revenue & Tobacco Settlement	120,904	30,197	1,743	166,756	(142,844)
Transfers & Reimbursements	7,858	12,827	(205)	1,690	15,562
Hospital Loan Repayment*	37,283	587,151	101,231	1,006,128	(338,000)
Welfare Advances	341,921	258,213	485,296	401,294	444,597
Other Financing Sources/MHSA	88,110	16,862	0	0	5,164
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	800,000	0	0	0	0
Total Receipts	$ 1,918,758	$ 1,698,155	$ 1,077,906	$ 2,233,149	$ 637,501
DISBURSEMENTS					
Welfare Warrants	$ 191,537	$ 197,920	$ 194,706	$ 299,175	$ 189,508
Salaries	483,248	480,690	474,480	479,128	482,777
Employee Benefits	324,514	294,144	275,797	309,991	303,996
Vendor Payments	595,479	539,732	328,053	388,105	385,735
Loans to Hospitals*	0	346,253	480,888	371,024	272,000
Hospital Subsidy Payments	205,042	283,161	0	0	(62,147)
Transfer Payments	21,906	21,788	11,315	253,379	18,308
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$ 1,821,726	$ 2,163,688	$ 1,765,239	$ 2,100,802	$ 1,590,177
ENDING BALANCE	**$ 2,605,709**	**$ 2,140,176**	**$ 1,452,843**	**$ 1,585,190**	**$ 632,514**
Borrowable Resources (Avg. Balance)	$ 1,487,736	$ 1,278,233	$ 1,344,603	$ 1,901,516	$ 3,785,931
Total Cash Available	$ 4,093,445	$ 3,418,409	$ 2,797,446	$ 3,486,706	$ 4,418,445

* The net change in the outstanding Hospital Loan Balance is a increase of $268.39 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

	December 2017	January 2018	February 2018	March 2018	Estimated April 2018	Estimated May 2018	Estimated June 2018	Total 2017-18
	$ 632,514	$ 1,370,053	$ 1,660,492	$ 1,853,032	$ 1,311,599	$ 1,293,953	$ 1,762,904	
	$ 1,309,725	$ 1,273,331	$ 434,542	$ 12,806	$ 846,377	$ 1,005,180	$ 210,449	$ 5,325,912
	16,475	13,061	27,143	12,995	27,888	10,638	21,996	217,970
	4,306	2,743	3,075	7,379	14,832	3,794	3,845	58,950
	7,916	8,981	22,146	13,964	9,049	24,377	10,511	182,034
	15,464	15,236	16,635	15,272	28,488	9,383	8,433	202,434
	33,755	32,245	44,213	32,568	26,771	27,662	12,460	190,218
	56,884	58,836	84,302	54,437	45,512	60,351	47,644	728,025
	61,565	63,718	91,229	59,810	46,503	63,291	60,098	791,197
	246,274	176,022	189,581	311,856	103,123	253,253	103,134	2,683,899
	154,764	305,644	94,907	115,602	124,653	131,581	140,588	1,718,363
	107,978	(11,676)	49,210	45,634	109,102	61,616	90,136	628,756
	51,352	4,135	4,416	59,219	6,330	7,739	20,553	191,475
	231,725	264,186	145,012	0	382,107	266,243	437,412	3,120,477
	514,006	365,786	376,824	489,513	371,367	304,283	441,681	4,794,780
	1,726	1,145	144,549	27,602	14,853	16,161	15,507	331,679
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	800,000
	$ 2,813,915	$ 2,573,393	$ 1,727,784	$ 1,258,657	$ 2,156,955	$ 2,245,549	$ 1,624,445	$ 21,966,168
	$ 225,584	$ 330,359	$ 190,321	$ 228,457	$ 233,626	$ 244,084	$ 325,194	$ 2,850,472
	505,244	517,511	500,413	486,925	529,207	511,289	514,485	5,965,398
	306,347	338,658	318,993	301,720	315,907	316,960	297,113	3,704,140
	332,538	411,600	334,420	434,642	431,788	461,688	426,139	5,069,920
	355,686	274,269	146,460	330,094	364,450	171,474	276,267	3,388,866
	(6,065)	(383)	34,735	0	0	0	0	454,343
	42,042	95,940	9,902	18,252	97,890	71,102	22,209	684,033
	315,000	315,000	0	0	201,733	0	0	831,733
	0	0	0	0	0	0	0	0
	$ 2,076,376	$ 2,282,954	$ 1,535,244	$ 1,800,090	$ 2,174,602	$ 1,776,598	$ 1,861,408	$ 22,948,904
	$ 1,370,053	**$ 1,660,492**	**$ 1,853,032**	**$ 1,311,599**	**$ 1,293,953**	**$ 1,762,904**	**$ 1,525,941**	
	$ 7,113,753	$ 5,294,770	$ 3,559,226	2,915,175	$ 6,045,402	$ 3,239,636	$ 1,434,341	
	$ 8,483,806	$ 6,955,262	$ 5,412,258	$ 4,226,774	$ 7,339,355	$ 5,002,540	$ 2,960,282	

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, 2017, approximately $1.739 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $789 million of the outstanding debt. Revenues from Special Districts/Special Funds, Courthouse Construction Fund, and Hospital Enterprise Funds secure the remaining $950 million of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2017-18.

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

2017-18 Payments

Funding Source	2017-18 Payment
Total 2017-18 Payment Obligations	$159,291,461
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	59,369,955
Courthouse Construction Funds	15,010,203
Special Districts/Special Funds	2,771,892
Net 2017-18 General Fund Obligations	$82,139,411

Source: Los Angeles County Auditor-Controller

As of May 1, 2018, the County has $1.092 billion of outstanding short-term obligations, which include $800 million in TRANs, $25.0 million in Bond Anticipation Notes, and $267 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, 2018 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$800,000
Bond Anticipation Notes	25,000
Lease Revenue Notes	267,370
Intermediate & Long-Term Obligations	1,704,392
Total Outstanding Principal	$2,796,762

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 9, 2017, the County issued $800 million of 2017-18 TRANs on July 3, 2017. The 2017-187 TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2017-18, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2017-18 Tax 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 from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of May 1, 2018, $25.0 million in BANs are outstanding. The County expects to repay the outstanding BANs in full with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or before July 1, 2019.

Lease Revenue Note Program

Under the Lease Revenue Note Program (the "Note Program"), the County is authorized to issue up to $500 million in aggregate principal amount of lease revenue notes. The short-term lease revenue notes issued through the Note Program will continue to finance construction costs on various capital projects throughout the County. The Note Program consists of two Irrevocable, Direct-Pay Letters of Credit ("LOC") in the aggregate principal amount of $300 million issued by Bank of the West (Series A - $100 million), and U.S. Bank (Series B - $200 million); and a Direct Placement Revolving Credit Facility with Wells Fargo (Series C - $200 million). The Note Program is secured by a lease-revenue financing structure between LAC-CAL and the County, and a portfolio of sixteen County-owned properties pledged as collateral to secure the credit facilities. The three credit agreements, which are scheduled to terminate on April 12, 2019, provide credit enhancement and liquidity support for both tax-exempt and taxable commercial paper notes and direct placement revolving notes. As of May 1, 2018, $267.3 million of tax-exempt commercial paper notes are outstanding. 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.

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, 2017, approximately $1.739 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 2017-18 Adopted Budget contains sufficient appropriations to fund the County's lease payment obligations in Fiscal Year 2017-18. 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") decreased from 0.134% in Fiscal Year 2016-17 to 0.123% in Fiscal Year 2017-18. 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
2008-09	$1,180,113,183	$1,067,594,451,410	0.111%
2009-10	972,937,056	1,062,174,404,954	0.092%
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	1,739,996,064	1,416,125,372,989	0.123%

Source: Los Angeles County Assessor and Auditor-Controller

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 "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 Tobacco Bonds are secured by the 25.9% portion of the annual TSRs, and are not considered a debt obligation of the County.

DPSS Lease Obligations

Beginning 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 COPs and Bonds. Although these financings are categorized as leases in the County's financial statements, the ultimate obligor for the outstanding debt securities is the County General Fund. The principal amount of the outstanding underlying COPs and Bond obligations is $228 million as of May 1, 2018.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2017

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL BY FUNDING SOURCE

ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF MAY 1, 2018

SUMMARY OF OUTSTANDING GENERAL COUNTY OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2017

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2017-18	$ 82,139,411	$ 59,369,955	$ 15,010,203	$ 2,771,892	$ 159,291,462
2018-19	78,913,983	56,629,774	15,013,314	2,772,901	153,329,972
2019-20	74,270,204	52,934,921	15,002,335	2,772,114	144,979,574
2020-21	70,969,646	50,681,389	14,997,342	2,770,155	139,418,531
2021-22	71,577,391	50,423,184	14,991,788	2,772,727	139,765,090
2022-23	69,166,614	50,420,052	14,991,568	2,770,179	137,348,413
2023-24	46,440,195	50,410,165	14,985,583	2,771,524	114,607,466
2024-25	46,430,339	50,403,888	14,971,366	2,772,880	114,578,474
2025-26	46,425,341	50,395,048	14,968,875	2,772,804	114,562,067
2026-27	46,420,826	50,391,691	14,959,875	2,772,537	114,544,928
2027-28	46,331,986	50,383,353	14,947,750	2,771,073	114,434,161
2028-29	46,030,081	50,371,753	14,945,875	2,773,632	114,121,341
2029-30	45,809,454	50,364,260	14,937,625	2,770,541	113,881,879
2030-31	45,801,510	50,345,701	8,340,500	2,770,790	107,258,501
2031-32	45,793,532	50,341,280	8,336,375	2,771,350	107,242,537
2032-33	45,787,862	50,331,926	6,115,375	2,770,272	105,005,435
2033-34	45,778,791	50,315,721	6,119,250	2,772,755	104,986,516
2034-35	45,769,504	50,309,705	-	2,774,794	98,854,002
2035-36	45,766,974	50,294,766	-	2,769,980	98,831,721
2036-37	45,759,388	50,283,745	-	2,774,430	98,817,563
2037-38	45,746,294	50,278,866	-	2,772,883	98,798,044
2038-39	45,737,969	50,259,691	-	2,773,883	98,771,544
2039-40	45,727,144	50,246,289	-	2,773,659	98,747,093
2040-41	45,723,835	50,237,761	-	2,772,601	98,734,197
2041-42	25,100,375	19,945,100	-	2,774,050	47,819,525
2042-43	25,102,875	19,948,218	-	2,774,482	47,825,575
2043-44	25,101,625	-	-	808,250	25,909,875
2044-45	25,099,000	-	-	809,750	25,908,750
2045-46	15,902,875	-	-	-	15,902,875
Total	$ 1,390,625,026	$ 1,266,318,201	$ 223,634,999	$ 73,698,888	$ 2,954,277,114

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2017

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2017-18	$ 789,548,095	$ 747,824,802	$ 161,160,000	$ 41,463,167	$ 1,739,996,064
2018-19	766,071,063	729,170,176	152,675,000	40,686,165	1,688,602,404
2019-20	740,326,443	708,717,922	144,035,000	39,872,265	1,632,951,630
2020-21	715,755,942	688,722,303	135,205,000	39,017,435	1,578,700,679
2021-22	685,779,023	669,817,455	126,135,000	38,120,777	1,519,852,255
2022-23	645,603,559	650,368,047	116,790,000	37,175,498	1,449,937,104
2023-24	605,987,302	630,069,623	107,130,000	36,184,357	1,379,371,281
2024-25	587,474,815	608,863,906	97,130,000	35,141,008	1,328,609,729
2025-26	568,091,357	586,643,269	86,730,000	34,042,763	1,275,507,389
2026-27	547,761,235	563,319,690	75,825,000	32,888,277	1,219,794,202
2027-28	526,435,089	538,830,160	64,370,000	31,674,859	1,161,310,108
2028-29	504,142,909	513,114,829	52,340,000	30,400,717	1,099,998,455
2029-30	481,046,152	486,115,239	39,695,000	29,058,609	1,035,915,000
2030-31	457,011,720	457,762,435	26,410,000	27,650,845	968,835,000
2031-32	431,769,828	427,999,539	19,210,000	26,170,633	905,150,000
2032-33	405,340,098	396,740,964	11,645,000	24,613,939	838,340,000
2033-34	377,660,124	363,916,356	5,970,000	22,978,519	770,525,000
2034-35	348,589,529	329,453,785	-	21,256,686	699,300,000
2035-36	318,100,780	293,295,333	-	19,448,887	630,845,000
2036-37	286,191,347	255,401,290	-	17,562,363	559,155,000
2037-38	252,797,750	215,683,273	-	15,583,977	484,065,000
2038-39	217,881,190	174,133,219	-	13,515,591	405,530,000
2039-40	181,436,097	130,747,077	-	11,346,826	323,530,000
2040-41	143,408,169	85,416,324	-	9,070,508	237,895,000
2041-42	103,720,000	38,047,845	-	6,682,155	148,450,000
2042-43	83,295,000	19,481,371	-	4,173,629	106,950,000
2043-44	61,820,000	-	-	1,540,000	63,360,000
2044-45	39,245,000	-	-	790,000	40,035,000
2045-46	15,515,000	-	-	-	15,515,000

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2017

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	$ 16,740,000	$ 16,740,000			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 731,023	$ 731,023			
Patriotic Hall Renovation	1,180,471	1,180,471			
Hall of Justice Rehabilitation	6,094,200	6,094,200			
Olive View Medical Center ER/TB Unit	1,360,210		$ 1,360,210		
Olive View Medical Center Seismic	560,353		560,353		
Harbor/UCLA Surgery/ Emergency	8,523,712		8,523,712		
Harbor/UCLA Seismic Retrofit	1,314,393		1,314,393		
Total 2010 Multiple Capital Projects I, Series A	$ 19,764,362	$ 8,005,694	$ 11,758,669	$ 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	$ 8,842,053		$ 8,842,053		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	10,763,663		10,763,663		
Martin Luther King Jr. Data Center	341,842		341,842		
Fire Station 128	296,973				$ 296,973
Fire Station 132	480,322				480,322
Fire Station 150	745,015				745,015
Fire Station 156	442,232				442,232
Total 2012 Multiple Capital Projects II, Series 2012	$ 21,912,100	$ 0	$ 19,947,558	$ 0	$ 1,964,542
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 9,194,450	$ 9,194,450			
Manhattan Beach Library	807,350				$ 807,350
Total 2015 Multiple Capital Projects, Series A	$ 10,001,800	$ 9,194,450	$ 0	$ 0	$ 807,350
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	$ 3,044,500	$ 3,044,500			
LAX Area Courthouse	2,533,000			$ 2,533,000	
Chatsworth Courthouse	2,124,500			2,124,500	
Total 2015 Multiple Capital Projects, Series B	$ 7,702,000	$ 3,044,500	$ 0	$ 4,657,500	$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	$ 10,352,703			$ 10,352,703	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	$ 15,893,594	$ 15,893,594			
Total Long-Term Obligations	$ 137,021,468	$ 68,777,415	$ 50,461,957	$ 15,010,203	$ 2,771,892
Intermediate-Term Obligations					
Equipment					
2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 4,359,750	$ 2,615,850	$ 1,743,900		
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 17,910,244	$ 10,746,147	$ 7,164,098		
Total Intermediate-Term Obligations	$ 22,269,994	$ 13,361,997	$ 8,907,998	$ 0	$ 0
Total Obligations	$ 159,291,462	$ 82,139,411	$ 59,369,955	$ 15,010,203	$ 2,771,892

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, 2017

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	$ 10,623,779	$ 10,623,779			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 2,038,905	$ 2,038,905			
Patriotic Hall Renovation	3,292,463	3,292,463			
Hall of Justice Rehabilitation	16,997,401	16,997,401			
Olive View Medical Center ER/TB Unit	3,793,778		$ 3,793,778		
Olive View Medical Center Seismic	1,562,888		1,562,888		
Harbor/UCLA Surgery/ Emergency	23,773,579		23,773,579		
Harbor/UCLA Seismic Retrofit	3,665,987		3,665,987		
Total 2010 Multiple Capital Projects I, Series A	$ 55,125,000	$ 22,328,769	$ 32,796,231	$ 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)	$ 6,302,286	$ 6,302,286			
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	$ 131,843,319		$ 131,843,319		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	160,496,330		160,496,330		
Martin Luther King Jr. Data Center	5,097,184		5,097,184		
Fire Station 128	4,428,149				$ 4,428,149
Fire Station 132	7,162,049				7,162,049
Fire Station 150	11,108,878				11,108,878
Fire Station 156	6,594,091				6,594,091
Total 2012 Multiple Capital Projects II, Series 2012	$ 326,730,000	$ 0	$ 297,436,833	$ 0	$ 29,293,167
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 138,590,000	$ 138,590,000			
Manhattan Beach Library	12,170,000				$ 12,170,000
Total 2015 Multiple Capital Projects, Series A	$ 150,760,000	$ 138,590,000	$ 0	$ 0	$ 12,170,000
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	$ 14,090,000	$ 14,090,000			
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	107,240,000	$ 14,090,000	$ 0	$ 93,150,000	$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	$ 68,010,000			$ 68,010,000	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	$ 255,855,000	$ 255,855,000			
Total Long-Term Obligations	$ 1,719,326,064	$ 777,146,095	$ 739,556,802	$ 161,160,000	$ 41,463,167
Intermediate-Term Obligations					
Equipment					
2014 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 4,275,000	$ 2,565,000	$ 1,710,000		
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 16,395,000	$ 9,837,000	6,558,000		
Total Intermediate-Term Obligations	$ 20,670,000	$ 12,402,000	$ 8,268,000	$ 0	$ 0
Total Obligations	$ 1,739,996,064	$ 789,548,095	$ 747,824,802	$ 161,160,000	$ 41,463,167

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, 2018

Title	Outstanding Principal	Total Future Payments	2017-18 FY Payment Remaining
Long-Term Obligations			
Long-Term Capital Projects			
1993 COPs: Disney Parking Project	$ 7,513,152	$ 45,555,000	$ 0
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	37,650,000	39,534,669	0
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,135,974,418 (1)	0
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	5,769,252	6,090,129 (1)	0
2012 Refg COPs: Disney Parking Project	50,675,000	60,830,500	0
2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012	320,350,000	547,825,600	0
2015 Multiple Capital Projects, Series A	148,220,000	273,809,000	3,705,500
2015 Lease Revenue Refunding Bonds Series B	104,840,000	158,069,250	2,621,000
2015 Lease Revenue Refunding Bonds Series C (Taxable)	59,525,000	66,993,180	901,885
2016 Lease Revenue Bonds Series D	251,510,000	451,069,638	5,730,847
Total Long-Term Obligations	$ 1,674,057,404	$ 2,785,751,383	$ 12,959,231
Intermediate-Term Obligations			
Equipment			
2014 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 1,375,000	$ 1,395,625	$ 1,395,625
2017 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 28,960,000	$ 30,792,500	$ 8,599,000
Total Intermediate-Term Obligations	$ 30,335,000	$ 32,188,125	$ 9,994,625
Total Obligations	$ 1,704,392,404	$ 2,817,939,508	$ 22,953,856

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, 2018 [UPDATES TO COME]
2016-17 Assessed Valuation: $1,361,956,007,239: (includes unitary valuation)

	Applicable %	Debt as of 5/1/17
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
Los Angeles County Flood Control District	100.000 %	$ 10,060,000
Metropolitan Water District	48.417	36,266,754
Los Angeles Community College District	100.000	3,847,880,000
Other Community College Districts	Various (1)	3,124,699,992
Arcadia Unified School District	100.000	184,618,852
Beverly Hills Unified School District	100.000	407,475,754
Glendale Unified School District	100.000	271,029,986
Long Beach Unified School District	100.000	1,166,245,702
Los Angeles Unified School District	100.000	10,005,485,000
Pasadena Unified School District	100.000	383,590,000
Pomona Unified School District	100.000	227,648,077
Redondo Beach Unified School District	100.000	221,466,110
Santa Monica-Malibu Unified School District	100.000	323,670,710
Torrance Unified School District	100.000	474,354,455
Other Unified School Districts	Various (1)	3,343,085,332
High School and School Districts	Various (1)	1,800,920,641
City of Los Angeles	100.000	720,435,000
City of Industry	100.000	94,075,000
Other Cities	100.000	54,925,000
Community Facilities Districts	100.000	708,869,258
Los Angeles County Regional Park & Open Space Assessment District	100.000	38,895,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000	74,944,244
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 27,520,640,867
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Los Angeles County General Fund Obligations	**100.000 %**	**$ 1,963,521,065**
Los Angeles County Office of Education Certificates of Participation	100.000	7,204,988
Community College District Certificates of Participation	Various (2)	26,985,036
Baldwin Park Unified School District Certificates of Participation	100.000	28,775,000
Compton Unified School District Certificates of Participation	100.000	20,490,000
Los Angeles Unified School District Certificates of Participation	100.000	239,440,000
Paramount Unified School District Certificates of Participation	100.000	28,710,000
Other Unified School District Certificates of Participation	Various (2)	235,344,964
High School and Elementary School District General Fund Obligations	Various (2)	118,542,157
City of Beverly Hills General Fund Obligations	100.000	150,120,000
City of Los Angeles General Fund and Judgment Obligations	100.000	1,484,847,152
City of Long Beach General Fund Obligations	100.000	158,310,000
City of Long Beach Pension Obligations	100.000	30,660,000
City of Pasadena General Fund Obligations	100.000	444,851,426
City of Pasadena Pension Obligations	100.000	119,460,000
Other Cities' General Fund Obligations	100.000	1,298,421,352
Los Angeles County Sanitation Districts Financing Authority	100.000	140,205,118
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,495,888,258
Less: Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds and economically defeased certificates of participation		(9,782,835)
Cities' supported bonds		(469,357,170)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 6,016,748,253
OVERLAPPING TAX INCREMENT DEBT: (Successor Agencies):		$ 3,911,938,121
TOTAL DIRECT DEBT		$ 1,963,521,065
TOTAL GROSS OVERLAPPING DEBT		$ 35,964,946,181
TOTAL NET OVERLAPPING DEBT		$ 35,485,806,176
GROSS COMBINED TOTAL DEBT		$ 37,928,467,246 (3)
NET COMBINED TOTAL DEBT		$ 37,449,327,241

(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 2016-17 ASSESSED VALUATION	
Total Gross Overlapping Tax and Assessment Debt	2.02 %
Total Gross Direct Debt ($1,963,521,065)	0.14 %
Gross Combined Total Debt	2.78 %
Net Combined Total Debt	2.75 %
Ratios to Redevelopment Sucessor Agency Incremental Valuation ($184,829,276,228)	
Total Overlapping Tax Increment Debt	2.12 %

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

Economic Overview

With a 2017 Gross Product of $670.0 billion, Los Angeles County's economy is larger than that of [44 states] and all but 21 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 experienced moderate growth in 2017 with an increase in economic output of 3.2%, as measured by Gross Product, and an estimated increase in total taxable sales of 2.1%. The economic recovery is expected to continue in 2018, with several sectors of the local economy experiencing growth.

The County's unemployment rate fell to 4.6% in 2017, which reflects the ongoing improvement in the job market, and the lowest rate of the post-recession period. In 2018 and 2019, the positive trend in the job market is expected to continue, with a projected decline in the average unemployment rate to 4.3% and 4.1% respectively. The significant job losses which occurred during the recession of 2008 and 2009 were partially offset by the positive impact of major public and private construction projects.

During Fiscal Year 2016-17, voters approved various State and local ballot measures that could generate 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 $9.1 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%. In addition to the new bond measures approved in 2016, K-12 schools and community college districts in the County had approximately $8.3 billion of previously authorized, but unissued bond capacity as of June 2016. 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 success of the ballot measures in 2016 may be an indication that County voters are willing to authorize new taxes to finance critical capital infrastructure and public services.

The increase in sales tax revenue resulting from the 2008 and 2016 voter-approved Measure R in 2008 and Measure M in 2016 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 that 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. 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 an improving 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 360,400 workers employed in this sector in 2016.] **(TO BE UPDATED- WAITING FOR DATA FROM LAEDC- TABLE F)** 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 230,900 workers in 2016.] **(TO BE UPDATED- WAITING FOR DATA FROM LAEDC- TABLE F)**

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 will further strengthen and help establish downtown Los Angeles as a premiere cultural destination on the west coast.

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 182 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 July 2017, the City of Los Angeles announced a deal with the International Olympic Committee to host the 2028 Summer Olympics.

Population

The County is the most populous county in the U.S. with over 10.2 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 25.9% of the total population of California. According to the U.S. Census Bureau's demographic profile, the County's population is comprised of 48.5% Hispanic, 26.5% White, 15.1% Asian, 9.1% African American and 0.8% 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 77.7% of the adult population has a high school diploma or higher, and 30.8% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

After the most recent economic downturn, which started in late 2007 and had a significant adverse impact on the local economy, the County has continued to experience a steady recovery in the job market since 2010. The average unemployment rate increased from 5.1% in 2007 to 12.5% in 2010, but has experienced a steady decrease over the last seven years to 4.6% in 2017. In comparison, the average unemployment rates for the State of California and the United States in 2017 were 4.8% and 4.4%, respectively. The unemployment rate in the County is expected to experience continued improvement over the next two years, falling to 4.3% in 2018 and 4.1% in 2019, as the County approaches full employment. Table E details the County's historical unemployment rates from 2013 through 2017. The employment situation in the County showed additional signs of improvement in 2017, with estimated [total net job growth of 109,200 among the various sectors of the local economy. Table F details the non-agricultural employment statistics by sector for the County from 2013 through 2017.] **(TO BE UPDATED-WAITING FOR DATA FROM LAEDC- TABLE F)**

Personal Income

Total personal income in the County grew by an estimated 3.8% in 2017. The 2017 total personal income of $585.5 billion represents an estimated 25.5% of the total personal income generated in California. The LAEDC is projecting continued growth in personal income of 2.9% for 2018 and 2.8% for 2019. Table C provides a summary of the personal income statistics for the County from 2013 through 2017.

Consumer Spending (TO BE UPDATED)

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. As reported by LAEDC, the County experienced a 5.5% increase in total taxable sales in 2016, with stronger growth of 6.8% projected for 2017. The $159.8 billion of total taxable sales in the County in 2016 represents 23.8% 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 2012 through 2016.

Industry

With an estimated annual economic output of $670.0 billion in 2017, the County continues to rank among the world's largest economies. The County's 2017 Gross Product represents approximately 28.2% of the total economic output in California and 3.9% 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 2013 through 2017.

International Trade (TO BE UPDATED- WAITING FOR 2017 DATA FROM LAEDC- TABLE H)

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 suffering a substantial decrease in 2009, the value of two-way trade in the LACD has experienced strong growth over the last several years. From 2009 to 2013, the value of two-way trade at LACD increased by 47% which surpassed the record level attained in 2008. LACD experienced a moderate decline in 2015, handling approximately $393.8 billion worth of international trade, which represents a 5.7% decrease from

2014. The decline in the value of international trade was partially the result of a labor strike that slowed loading activities at both ports. With the resolution of the labor strike during the first quarter of 2015, the LACD is expected to show moderate growth in 2016. Although the recent increase in the value of the dollar is expected to have a negative impact on export growth, the demand for imported goods is expected to remain strong. The LACD maintained its ranking as the top customs district in the nation for international trade in 2015, with China, Japan, South Korea, Taiwan and Vietnam being the top trading partners.

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 fourth busiest airport in the world and second in the United States for passenger traffic. In 2017, LAX served 84.6 million passengers, representing an 4.5% increase from the previous year. The 2.4 million tons of air cargo handled at LAX in 2017, and the corresponding value of $109.6 billion, represents an increase of 10.3% from 2016 levels. The $14 billion capital improvement project currently underway at LAX is expected to generate approximately 121,640 local jobs. On May 2, 2016, the Bob Hope Airport changed its branding name to Hollywood Burbank Airport in an effort 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 scheduled to begin on the replacement terminal between 2018 and 2022.

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 2017, 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 26 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2017, the Port handled over 9.3 million TEUs, which represents an 5.5% increase in container volume from 2016.

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 2017. The Port of Long Beach covers over 3,000 acres with 10 separate piers, 80 berths, 66 cranes and 22 shipping terminals. In 2017, the port handled nearly 7.5 million TEUs of container cargo, which represents an increase of 11.4% from 2016.

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 continue to have a positive 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 414 million in annual boardings, the Metro System is the second 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 2017-18 operating budget for the MTA is $6.1 billion, which is funded primarily through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants.

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 2017, the Los Angeles region hosted a record high 31.9 million overnight visitors, representing a 2.9% increase from 2016. According to the Los Angeles Convention and Visitors Bureau, a record high of 7.3 million foreign residents visited the region in 2017, which represents a 3.2% increase compared to 2016. Of all foreign countries visiting the region, China continues to display the fastest growth of any international market with 11.7% more visitors than in 2016. Recently constructed hotels in downtown Los Angeles, Beverly Hills and Hollywood are attracting additional business and leisure travelers to the County.

Real Estate and Construction

After enduring the adverse effects of the economic downturn starting in late 2007, the County's residential housing market has experienced a strong and steady recovery since 2012. 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 began a strong recovery as the average median home price increased by 69.9% from 2012 to 2017.

In 2017, the real estate market continued to experience strong growth, as the average median home price increased by 7.6% to $561,317 from 2016. After a record high of 105,433 in 2009, notices of default recorded decreased by 89.2% to 11,402 in 2017 equaling a rate of approximately 950 notices per month, which represents a slight improvement over 2016 when the rate averaged 1,150 notices per month. Foreclosures, as measured by the number of trustees deeds recorded, has experienced a significant decrease of over 94% from a cyclical high of 39,774 in 2008 to 2,570 in 2017. The number of trustees deeds recorded in 2017 represents a 26% decrease from 2016 (3,481 to 2,570).

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 2017-18, the County Assessor reported a Net Local Roll of $1.416 trillion, which represents a 6.04% increase from the Net Local Roll of $1.336 trillion in Fiscal Year 2016-17. The Net Local Roll in Fiscal Year 2017-18 represents a 31.2% increase from Fiscal Year 2011-12, and the seventh consecutive year of growth in assessed valuation after the recent economic downturn.

The commercial real estate sector continued to show improvement in 2017. Construction lending experienced robust growth of 13.7% from $11.979 billion in 2016 to $13.619 billion in 2017. Office market vacancy rates increased slightly from 2016 to 2017, with the average vacancy rate increased to 14.4% from 14.0%, which is still significantly higher than the 9.7% rate in 2007, prior to the economic downturn. Industrial market vacancy rates increased to 1.1% in 2017 from 0.9% in 2016, which is slightly 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. The University of Southern California has recently 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, CVS, and Wahlburgers.

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 until their new stadium is completed. For the next three years, the Chargers will play at the Stub-Hub Center in Carson, the home of the LA Galaxy professional soccer team.

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

	2013	2014	2015	2016	2017
Los Angeles County	$587,582	$610,332	$634,635	$649,349	$669,975
State of California	2,064,534	2,150,580	2,245,876	2,320,345	2,379,111
United States	15,612,200	16,013,300	16,471,500	16,716,200	17,096,200
Los Angeles County as a % of California	28.46%	28.38%	28.26%	27.99%	28.16%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018 & Bureau of Economic Analysis - U.S. Department of Commerce

TABLE B: POPULATION LEVELS (in thousands of $)

	2013	2014	2015	2016	2017
Los Angeles County	10,056	10,125	10,179	10,215	10,278
State of California	38,373	38,739	39,059	39,312	39,613
Los Angeles County as a % of California	26.21%	26.14%	26.06%	25.98%	25.95%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018

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

	2013	2014	2015	2016	2017
Los Angeles County	$483,579	$514,517	$549,073	$563,908	$585,515
Orange County	166,369	174,586	188,471	196,920	202,801
San Diego County	157,757	167,633	177,551	183,032	188,877
Riverside and San Bernardino Counties	141,977	149,935	160,048	166,657	173,019
Ventura County	41,728	43,878	46,269	47,397	48,823
State of California	1,861,956	1,986,025	2,133,664	2,212,691	2,300,034
Los Angeles County as a % of California	25.97%	25.91%	25.73%	25.49%	25.46%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018

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

	2012	2013	2014	2015	2016
Los Angeles County	$135,296	$140,080	$147,447	$151,034	$154,208
State of California	558,387	586,840	615,822	633,884	649,079
Los Angeles County as a % of California	24.23%	23.87%	23.94%	23.83%	23.76%

Source: Board of Equalization

TABLE E: UNEMPLOYMENT RATES

	2013	2014	2015	2016	2017
Los Angeles County	9.8%	8.2%	6.6%	5.2%	4.6%
State of California	8.9%	7.5%	6.2%	5.4%	4.8%
United States	7.4%	6.2%	5.3%	4.9%	4.4%

Source: Los Angeles Economic Development Corporation - 2018-2019 Economic Forecast & Industry Outlook February 2018

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2013	2014	2015	2016	2017
Wholesale & Retail Trade	624.3	635.5	644.9	649.3	
Health Care & Social Assistance	584.7	602.1	621.6	644.4	
Government	551.2	556.2	568.5	576.3	
Leisure & Hospitality	440.5	466.6	489.1	510.5	
Manufacturing	374.4	370.0	366.8	360.4	
Professional, Scientific & Technical Services	271.8	271.8	271.8	278.3	
Administrative & Support & Waste Services	256.9	262.9	265.8	270.0	
Information	197.0	198.8	207.5	230.9	
Transportation, Warehousing & Utilities	157.5	163.4	171.5	180.6	
Other	145.7	150.5	151.0	153.4	
Finance & Insurance	138.3	134.5	135.6	138.1	
Construction	114.6	118.5	126.2	133.1	
Educational Services	117.4	118.6	119.5	123.0	
Real Estate & Rental & Leasing	74.7	76.7	80.0	81.7	
Management of Companies & Enterprises	58.2	58.6	57.9	56.9	
Total	4,107.2	4,184.7	4,277.7	4,386.9	0.0

Source: Los Angeles Economic Development Corporation

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

Type of Activity	2013	2014	2015	2016	2017
International Air Cargo (Tons)					
Los Angeles International Airport	1,119.5	1,176.3	1,284.7	1,336.3	1,476.7
As Percentage of Total Air Cargo	58.12%	58.78%	60.25%	60.59%	61.80%
Total Air Cargo (Tons)					
Los Angeles International Airport	1,926.1	2,001.2	2,132.5	2,205.3	2,389.5
Long Beach Airport	24.4	25.5	23.9	25.2	23.0
Hollywood Burbank Airport	52.9	56.3	54.8	53.3	54.4
Total	2,003.4	2,082.9	2,211.1	2,283.9	2,466.9
International Air Passengers					
Los Angeles International Airport	17,852.1	19,105.7	20,740.1	22,850.2	24,829.4
As Percentage of Total Passengers	26.78%	27.04%	27.68%	28.24%	29.36%
Total Air Passengers					
Los Angeles International Airport	66,667.6	70,662.2	74,936.3	80,921.5	84,558.0
Long Beach Airport	2,942.9	2,824.0	2,523.7	2,841.1	3,783.8
Hollywood Burbank Airport	3,844.4	3,861.2	3,943.6	4,142.9	4,739.5
Total	73,454.9	77,347.4	81,403.6	87,916.8	93,081.3
Container Volume (TEUs)					
Port of Los Angeles	7,868.6	8,340.1	8,160.5	8,856.8	9,343.2
Port of Long Beach	6,730.6	6,820.8	7,192.1	6,775.2	7,544.5
Total	14,599.2	15,160.9	15,352.5	15,632.0	16,887.7

Source: Los Angeles World Airports, LAX - Statistics; Hollywood Burbank Airport - Statistics; Long Beach Airport - Statistics; Port of Los Angeles - Statistics; Port of Long Beach - Statistics

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

Customs District	2012	2013	2014	2015	2016
Los Angeles, CA	$403,900	$414,700	$417,800	$393,800	
New York, NY	381,900	379,000	386,800	369,900	
Laredo, TX	239,100	253,200	279,800	284,300	
Detroit, MI	253,200	253,600	261,800	244,200	
Chicago, IL	187,500	192,600	210,700	201,600	
New Orleans, LA	243,600	235,000	233,900	199,700	
Houston-Galveston, TX	273,900	251,700	252,500	196,400	
Seattle, WA	138,800	144,000	152,500	154,800	
Savannah, GA	132,300	129,500	141,800	148,600	
Cleveland, OH	118,700	122,600	131,700	129,600	

Source: Los Angeles Economic Development Corporation - 2018-2019 International Trade Report

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

Port	2012	2013	2014	2015	2016
Los Angeles-Long Beach, CA	201,709	207,252	210,440	204,800	209,685
Tacoma, WA	30,975	31,861	34,936	34,149	38,153
Oakland, CA	30,298	30,906	30,540	29,020	31,100
Seattle, WA	25,549	18,104	14,422	14,906	15,134
Kalama, WA	10,199	9,304	9,725	12,080	14,241
Portland, OR	17,948	13,571	14,573	9,798	9,743
San Diego, CA	4,822	5,168	5,358	5,591	5,999
Port Hueneme	4,520	4,921	5,240	5,774	5,381
Vancouver, WA	4,914	2,001	2,855	3,014	2,748

Source: Pacific Maritime Association - 2017 Annual Report and past reports

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

Port	2012	2013	2014	2015	2016
Los Angeles-Long Beach, CA	14,123	14,599	15,161	15,353	16,888
New York-NewJersey, NY	5,530	5,467	5,772	6,372	6,252
Savannah, GA	2,966	3,034	3,346	3,737	3,645
Seattle-Tacoma, WA	3,564	3,456	3,394	3,529	3,616
Norfolk, VA	2,106	2,224	2,393	2,549	2,657
Oakland, CA	2,344	2,347	2,394	2,278	2,370
Houston, TX	1,922	1,950	1,951	2,131	2,183
Charleston, SC	1,515	1,601	1,792	1,973	1,996

Source: Port of Los Angeles, Port of Long Beach, The Port Authority of NY & NJ, Georgia Ports Authority, Port of Oakland, Port of Virginia, The Northwest Seaport Alliance, Port of Houston Authority, and South Carolina Ports -analysis of data provided by ports

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

Indicator	2013	2014	2015	2016	2017
1. Construction Lending (in millions)	$6,379	$8,750	$9,711	$11,979	$13,619
2. Residential Purchase Lending (in millions)	$27,910	$31,441	$48,832	$53,362	$53,754
3. New & Existing Median Home Prices	$412,795	$458,677	$490,083	$521,558	$561,317
4. New & Existing Home Sales	84,229	76,348	81,188	81,061	82,319
5. Notices of Default Recorded	20,970	17,883	17,422	13,802	11,402
6. Unsold New Housing (at year-end)	561	552	620	1,217	N/A*
7. Office Market Vacancy Rates	16.7%	14.9%	14.7%	14.0%	14.4%
8. Industrial Market Vacancy Rates	1.8%	1.5%	0.8%	0.9%	1.1%

**2nd & 3rd Quarter of 2017 data are unavailable.*

Source: Real Estate Research Council of Southern California - 4th Quarter 2017

TABLE L: BUILDING PERMITS AND VALUATIONS

	2013	2014	2015	2016	2017
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	3,599	4,286	4,297	4,664	5,559
b. Multi-Family	12,631	14,595	18,638	15,272	16,451
Total Residential Building Permits	16,230	18,881	22,935	19,936	22,010
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$1,507	$1,740	$1,868	$2,096	$2,376
b. Multi-Family	1,921	2,310	2,877	2,765	3,173
c. Alterations and Additions	1,193	1,429	1,591	1,550	1,692
Residential Building Valuations Subtotal	$4,621	$5,479	$6,336	$6,411	$7,241
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$246	$269	$347	$345	$498
b. Retail Buildings	385	829	472	541	688
c. Hotels and Motels	145	359	327	332	89
d. Industrial Buildings	128	122	85	154	132
e. Alterations and Additions	2,012	3,155	2,629	2,774	2,999
f. Other	669	1,507	1,025	618	876
Non-Residential Building Valuations Subtotal	$3,585	$6,241	$4,885	$4,764	$5,282
Total Building Valuations (in millions)	$8,206	$11,720	$11,221	$11,175	$12,523

Source: Real Estate Research Council of Southern California - 4th Quarter 2017

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	36,468	277,123
2	University of Southern California	Education-Private University	Los Angeles, CA	20,163	20,499
3	Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	16,600	67,000
4	Providence Health & Services	Health Care	Renton, WA	15,255	87,634
5	Target Corp.	Retailer	Minneapolis, MN	15,000	341,000
6	Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	14,970	443,000
7	Walt Disney Co.	Entertainment	Burbank, CA	13,000	195,000
8	Albertsons/Vons/Pavilions	Grocery Retailer	Boise, Idaho	13,000	273,000
9	Bank of America Corp.	Banking and Financial Services	Charlotte, NC	12,500	208,000
10	Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	12,242	12,330
11	NBCUniversal	Entertainment	New York	12,000	N/A
12	AT&T Inc.	Telecommunications	Dallas, TX	11,500	264,000
13	Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	11,200	406,000
14	UPS	Transportation and Freight	Atlanta, GA	10,131	434,000
15	Wells Fargo	Diversified Financial Services	San Francisco, CA	9,001	271,000
16	Boeing Co.	Aerospace/Defense Contractor	Chicago, IL	9,000	144,081
17	California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,702	9,670
18	Allied Universal	Security Professional and Safety Services	Santa Ana, CA/ Conshohocken, PA	8,384	150,000
19	ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,000	110,000
20	FedEx Corp.	Shipping and Logistics	Memphis, TN	7,000	168,000
21	Dignity Health	Hospitals	San Francisco, CA	6,274	57,264
22	Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	6,000	218,000
23	Amgen Inc.	Biotechnology	Thousand Oaks, CA	5,616	19,200
24	SoCalGas	Natural Gas Utility	Los Angeles, CA	5,600	8,500
25	Raytheon Co.	Aerospace/Defense Contractor	Waltham, MA	5,500	63,000

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, August 2017

APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Notes, Squire Patton Boggs (US) LLP, Bond Counsel to the County, proposes to render its final opinion in substantially the following form:

[Closing Date]

County of Los Angeles
Los Angeles, California

County of Los Angeles
<u>2018-19 Tax and Revenue Anticipation Notes</u>

Ladies and Gentlemen:

We have acted as Bond Counsel to the County of Los Angeles (the "County") in connection with the issuance of $__________ aggregate principal amount of the County of Los Angeles 2018-19 Tax and Revenue Anticipation Notes, dated the date hereof. The Notes are being issued under Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Sections 53850 through 53858 inclusive (the "Act") and pursuant to a resolution adopted by the County on May __, 2018 (the "Resolution") and the Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of 2018-19 Tax and Revenue Anticipation Notes, dated the date hereof (the "Financing Certificate"). In such connection, we have reviewed: the Resolution; the Financing Certificate; a tax certificate of the County with exhibits, dated the date hereof (the "Tax Certificate"); the opinion of counsel to the County; certificates of the County and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Financing Certificate.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or such events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes is concluded with their issuance on this date, and we disclaim any obligation to update this opinion. We have assumed and relied upon, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by and validity thereof against any parties other than the County. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications and have assumed compliance with the covenants of the County in the Financing Certificate, the Tax Certificate and other relevant documents to which it is a party. The accuracy of certain of those representations and certifications, and compliance by the County with certain of their covenants, may be necessary for interest on the Notes to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants subsequent to issuance of the Notes may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations under the Notes and the Financing Certificate and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Notes constitute the valid and binding obligations of the County.

2. The Financing Certificate has been duly authorized, executed and delivered by and constitutes the valid and binding obligation of the County.

3. The Notes are payable solely from certain taxes, income, revenues, cash receipts and other moneys of the County for the fiscal year ending June 30, 2019 and lawfully available for the payment of the Notes, and the interest thereon, and are secured by a pledge of certain moneys, all as specified in the Resolution and the Financing Certificate.

4. Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Notes is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018). Interest on the Notes is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Notes.

Respectfully submitted,

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC, and County and the Underwriters take no responsibility for the completeness or accuracy thereof. The County and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC 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.

1. The Depository Trust Company, New York, NY, will act as securities depository for the Notes (the "Notes"). The Notes 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 certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity of such issue, and will be deposited with DTC.

2. DTC 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 has a Standard & Poor's rating of AA+. 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. The information on this website is not incorporated herein by reference.

3. Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

4. To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and other payments on the Notes 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 the County, 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, the County or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, 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. If applicable, a Beneficial Owner shall give notice to elect to have its Notes purchased or tendered, through its Participant, to the County's designated agent, and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Notes, on DTC's records, to the County's designated agent. The requirement for physical delivery of Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to the DTC account of the County's designated agent.

10. DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. 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, certificates will be printed and delivered to DTC and the requirements of the Resolution and Financing Certificate with respect to certificated Notes will apply.

12. The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

The Notes are not subject to redemption prior to maturity.

NONE OF THE COUNTY OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTES FOR REDEMPTION.

$700,000,000
COUNTY OF LOS ANGELES, CALIFORNIA
2018-19 TAX AND REVENUE ANTICIPATION NOTES

DISCLOSURE CERTIFICATE OF THE COUNTY

This Disclosure Certificate (this **"Disclosure Certificate"**) is executed and delivered by the County of Los Angeles (the **"County"**) in connection with the issuance of $700,000,000 aggregate principal amount of the County's 2018-19 Tax and Revenue Anticipation Notes (the **"2018-19 TRANs"**). The 2018-19 TRANs are being issued pursuant to a Resolution adopted by the County on May 15, 2018 (the **"Resolution"**), and a Financing Certificate executed by the Treasurer on July 2, 2018 (the **"Certificate"**). The County covenants and agrees as follows:

Section 1. **Purpose of this Disclosure Certificate**. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the 2018-19 TRANs and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the **"Rule"**).

Section 2. **Definitions**. In addition to the definitions set forth in the Certificate, 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:

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2018-19 TRANs (including persons holding 2018-19 TRANs through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2018-19 TRANs for federal income tax purposes.

"Commission" shall mean the U.S. Securities and Exchange Commission.

"Dissemination Agent" shall initially 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" shall mean the MSRB's Electronic Municipal Market Access system.

"Holders" or **"Noteholders"** shall mean the registered owners of the 2018-19 TRANs.

"Listed Events" shall mean any of the events listed in Section 3(a) 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 Underwriters” shall mean any of the original underwriters of the 2018-19 TRANs required to comply with the Rule in connection with offering of the 2018-19 TRANs.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

Section 3. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 3, the County shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2018-19 TRANs:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on debt service reserves reflecting financial difficulties of the County;

4. unscheduled draws on any credit enhancement reflecting financial difficulties of the County;

5. substitution of credit or liquidity providers or failure of a credit or liquidity provider to perform its obligations with respect to the 2018-19 TRANs;

6. 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 2018-19 TRANs, or other material events affecting the tax status of the 2018-19 TRANs;

7. modifications to rights of Noteholders, if material;

8. redemption or call of the 2018-19 TRANs, if material, and tender offers;

9. defeasances;

10. release, substitution or sale of property securing repayment of the 2018-19 TRANs, if material;

11. rating changes;

12. 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;

13. 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; and

14. appointment of a successor or additional trustee or the change of name of the trustee, if material.

Certain of the foregoing events may not be applicable to the 2018-19 TRANs.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall file a notice of such occurrence not later than ten (10) business days after such occurrence with the MSRB through its EMMA System.

Section 4. **Termination of Reporting Obligation**. The County's obligations under this Disclosure Certificate shall terminate upon the payment in full of all the 2018-19 TRANs. If such termination occurs prior to the final maturity of the 2018-19 TRANs, the County shall give notice of such termination in the same manner as for a Listed Event under Section 3(a).

Section 5. **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, if other than the County, shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

Section 6. **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 Section 3(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 2018-19 TRANs, 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 2018-19 TRANs, 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 2018-19 TRANs in the same manner as provided in the Resolution and the Certificate for amendments to the Resolution and the Certificate with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2018-19 TRANs.

Section 7. **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 notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 8. **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 2018-19 TRANs 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 the Superior Court of the State of California in and for the County of Los Angeles or in a U.S. District Court in or nearest to Los Angeles County. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution or the Certificate, and 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 9. **Duties, Immunities and Liabilities of Dissemination Agent**. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2018-19 TRANs.

Section 10. **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 2018-19 TRANs, and shall create no rights in any other person or entity.

DATED: July 2, 2018

COUNTY OF LOS ANGELES, CALIFORNIA

By: ____

JOSEPH KELLY
Treasurer and Tax Collector

[Signature Page to Disclosure Certificate of the County
for the 2018-19 Tax and Revenue Anticipation Notes]